

The Netherlands arms export policy in 2003

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1. Introduction

The present report on the Netherlands arms export policy in 2003 is the seventh annual report drawn up in accordance with the “Policy paper on greater transparency in the reporting procedure on exports of military goods” (*Parliamentary Proceedings 22 054 No. 30, 27 February 1998*). The report comprises:

- a summary of the principles and procedures of the Netherlands arms export policy
- an outline of the Netherlands defence-related industry
- a description of developments in relevant international forums, i.e. the EU, the UN and the Wassenaar Arrangement
- a description of policy relating to controls on the proliferation of small arms
- a summary of the transit regulations which have been in force since 1 January 2002.

Appendix 1 to the report states the values of licences for exports of goods issued in 2003 by category of military goods and by country of final destination. For reporting purposes it has been decided to state the figures for the first-half and second-half of 2003 separately as well.

Appendix 2 shows the trend in Netherlands arms exports for the period 1996-2003.

Appendix 3 tabulates the licences issued for transit of military goods to third countries.

Appendix 4 lists the denial notifications issued by the Netherlands to its EU partners. These notifications form part of the EU Code of Conduct governing exports of military goods.

Appendix 5 tabulates disposals of surplus defence equipment made in 2003.

2. Instruments and procedures of the arms export policy

Licences for the export of military goods are issued on the basis of the Import and Export Act. Companies or persons intending to export goods and technology appearing on the list of military goods pertaining to the Annex to the Strategic Goods Import and Export Order, apply to the Central Import and Export Service (Centrale Dienst voor In- en Uitvoer, CDIU) for an export licence. The CDIU forms part of the Tax and Customs Department of the Ministry of Finance and, with regard to arms export policy aspects, receives its instructions from the Ministry of Economic Affairs. Applications for the export of military goods to NATO and EU member states and equated-status countries (Australia, Japan, New Zealand and Switzerland) are in principle dealt with exclusively by the Ministry of Economic Affairs. During the year under review an exception to this rule applied for Greece and Turkey. Applications for exports to these two NATO member states as well as to all other countries are submitted to the Minister of Foreign Affairs for advice. The latter's advice plays an essential role in the decision-taking process on the issue of an export licence. If no

objections are found to exist with regard to the intended export, the Ministry of Economic Affairs will issue an export licence.

In the case of applications for exports to developing countries appearing on Part 1 the OECD DAC list ¹, the Minister of Foreign Affairs will first consult with the Minister for Development Co-operation, and will then advise the Minister of Economic Affairs on the basis of that consultation.

In the case of exports of weapons systems being disposed of by the Netherlands armed forces, Parliament receives prior confidential notification from the State Secretary of Defence. Disposals of this nature are subject to the regular licence procedure and – just like commercial export transactions – such transactions are assessed by the Ministry of Foreign Affairs against the criteria of the arms export policy.

3. Principles of the arms export policy

Applications for licences for the export of military equipment are assessed on a case-by-case basis against the eight criteria of the arms export policy with due consideration for the nature of the product, its country of final destination and end user. These eight criteria were agreed by the European Councils of Luxembourg (1991) and Lisbon (1992), and they read as follows:

1. *Respect for the international commitments of EU member states, in particular the sanctions decreed by the UN Security Council and those decreed by the Community, agreements on non-proliferation and other subjects, as well as other international obligations.*
2. *The respect of human rights in the country of final destination.*
3. *The internal situation in the country of final destination, as a function of the existence of tensions or armed conflicts.*
4. *Preservation of regional peace, security and stability.*
5. *The national security of the member states and of territories whose external relations are the responsibility of a Member State, as well as that of friendly and allied countries.*
6. *The behaviour of the buyer country with regard to the international community, as regards in particular to its attitude to terrorism, the nature of its alliances and respect for international law.*

¹ The OECD DAC list is a list of countries receiving international financial aid, drawn up by the Organisation for Economic Co-operation and Development (OECD). Part 1 of the list relates to developing countries.

7. *The existence of a risk that the equipment will be diverted within the buyer country or re-exported under undesirable conditions.*
8. *The compatibility of the arms exports with the technical and economic capacity of the recipient country, taking into account the desirability that states should achieve their legitimate needs of security and defence with the least diversion for armaments of human and economic resources.*

In June 1998 the member states of the European Union adopted the EU Code of conduct for arms exports, in which they agreed on a common interpretation of the criteria of the arms export policy. The Code also incorporates a mechanism for information exchange, notification and consultation in cases where one member state has an export licence under consideration for a destination for which a similar licence has previously been denied by another. The Code of Conduct sets minimum standards. The Code acknowledges the right of member states nationally to apply a more restrictive arms export policy than required by the Code.²

4. Information on the arms export policy

In accordance with a pledge made by the Minister of Foreign Affairs in the course of a debate in December 1997 on the Foreign Affairs budget, the Government in February 1998 submitted a policy paper on greater transparency in the reporting procedure on exports of military goods (*Parliamentary Proceedings 22054, No. 30*). The present report on the year 2003 is the seventh non-confidential report which has been issued since then. It is based on the value of the licences issued by category of military goods and by country of final destination. In order to further enhance the transparency of the figures, the relevant goods categories are also specified by country of final destination. For the purpose of reflecting the overall trend with clarity, it has been decided to present both the consolidated figures for 2003 as a whole, and the figures for the first-half and the second-half of 2003 separately. Furthermore, information is also included on licence denials reported to the EU partners in the context of the EU Code of Conduct (see *Appendix 4*).

In addition to this Government report on Netherlands exports of military goods in 2003, non-confidential information is also otherwise available on the arms export policy. For example, the Central Import and Export Service publishes the "Strategic Goods Manual" (*Handboek Strategische Goederen*). This manual is intended for persons, companies and organisations with professional interests in procedures governing imports and exports of strategic goods. It provides users with information on the policy objectives and relevant legislative measures and procedures, besides containing a wealth of practical information. In this way the manual increases user awareness of this specific area of policy. The manual is regularly updated in the light of national and international developments in this area. Furthermore, comprehensive information regarding export and transit of strategic goods is available at www.exportcontrole.ez.nl. The website also contains an electronic version of the

² The text of the EU Code of Conduct is available on the EU website:
http://ue.eu.int/cms3_applications/showPage.ASP?id=408&lang=

Manual (Currently, the manual itself is available in Dutch only, but the website does provide general information in English as well.)

5. The Netherlands defence-related industry

With very few exceptions, the Netherlands defence-related industry consists above all of civil enterprises and research organisations with divisions specialising in military production. Although this sector is small in size, it is nevertheless characterised by high-tech production, ongoing innovation and highly skilled personnel. Within the bounds of a responsible foreign and security policy, the Government's policy is aimed at retaining this technologically valuable capability for the Netherlands. To this end, Netherlands companies are involved in national military tenders, either directly or indirectly through offset orders. Because the Netherlands market is clearly too small to maintain the available expertise independently, the Netherlands defence-related industry is also encouraged to take part in international joint ventures and co-operation in the field of defence equipment. This has led to the establishment of commercial relations with above all Belgian, British, French, German and American enterprises, also involving joint commitments relating to systems maintenance and subsequent components delivery. This applies equally where systems produced by a joint venture are supplied to third parties. In that light, the scope for Netherlands companies to enter into long-term international joint ventures and co-operation arrangements depends in part on the transparency and the consistency of the Netherlands arms export policy.

The importance of the export activities of this sector is recognised as an essential condition for the continuity of the existing technological base. Equally, it is recognised that, in the interests of the international legal order and the safeguarding of peace and security, limits must be imposed on the export activities of the defence-related industry. Within those limits, however, in the Government's judgement the Netherlands industry should be able to meet other countries' legitimate needs for defence equipment. Bearing in mind the above-mentioned conditions and circumstances, the Netherlands defence-related industry has pursued a policy of increasing specialisation. Those companies with the largest export share in their military production manufacture principally advanced components and sub-systems. Although the maritime sector in particular still has the capability to undertake all the production stages from drawing-board to launching-slip, Netherlands exports of complete weapons systems in recent years can be virtually entirely accounted for by disposals of surplus Netherlands defence equipment.

Information on the defence-related industry has been made available on a voluntary basis by the firms concerned, in the context of a study that was recently performed by "Research voor Beleid"- Consultants on behalf of the Ministry of Economic Affairs. The information relates to production (civil/military), exports (as a share of total sales), manpower, etc. For a number of years around 245 SME firms in the Netherlands have in some way been engaged in military production. It should nevertheless be noted that military production is defined as production intended for

domestic and foreign defence orders, and not as production of goods which are classified as military goods in accordance with the Strategic Goods Import and Export Order.

Military production accounts for an average total Netherlands turnover of EUR 1.7 billion on an annualised basis. This represents an average share of 4% of the total turnover of the companies and organisations concerned, most of which also perform civil activities in addition to military production. Of the total exports by these companies and organisations, about 45% or EUR 770 million is classified as military exports. The development of advanced technology associated with military production enables these companies and organisations to accomplish product innovations and is in addition an important source of military spin-offs and civil spill-overs. Sectors in which the Netherlands defence-related industry operates include development and production in shipbuilding, aerospace technology, radar technology, as well as transport, infrastructure, and ICT. Military production accounts for about 11,000 jobs.

6. Transparency in armaments and the UN Register on Conventional Arms

In 1991 the General Assembly of the United Nations on a Netherlands initiative passed Resolution 46/36 L concerning transparency in armaments. On the basis of that resolution the UN Register on Conventional Arms was established in 1992. The register discloses particulars about the imports and exports of seven categories of conventional heavy weapons, with the objective of thereby increasing trust among nations.

The register provides information on an annual basis on the source country of military goods exports, the transit country if any, and the importing country, together with the size of the goods flows classified in the following categories: I. tanks, II. armoured combat vehicles, III. heavy artillery systems, IV. combat aircraft, V. combat helicopters, VI. warships, and VII. missiles and missile launch systems. In addition, there is a separate section for remarks, in which countries can give a more detailed description of the arms and comment on specific transfers. Furthermore, countries are urged to provide information on their own military stocks and on acquisitions resulting from their own manufacturing production.³

Each year since 1991 the General Assembly has passed a resolution on transparency in armaments, together with a call to supply particulars to the register. It has become the custom that the Netherlands takes the initiative in proposing this resolution. Traditionally, the resolution can count on the support of a large majority of the UN member states.

Over the past decade, over 160 nations have participated in the register, including all

³ Information on the UN Register is available on the UN disarmament website, <http://disarmament.un.org:8080/cab/register.html>

the major arms-manufacturing, arms-importing and arms-exporting countries. The register is currently estimated to encompass over 95% of the world-wide trade in the above-mentioned seven categories of conventional arms. In recent years there has been a gradual increase in the number of participating countries (1999: 99, 2000: 118, 2001: 126). In 2002 the number was 122 (the figures for 2003 were not yet available as this annual report was completed). This increase is expected to continue in the years to come. No marked development is discernible in the number of countries that additionally provided information on their military stocks and on purchases from their own defence industry. In 2002 this total remained fairly constant relative to preceding years, amounting to one-third of all countries participating in the register.

The EU member states ensure that transparency in armaments and participation in the UN Register on Conventional Arms receive constant attention. For example, after the reporting date has passed, the EU urges those countries that have not presented any information as yet to do so. Furthermore, the Secretary General of the United Nations is notified on an annual basis of the European Union's position regarding transparency in armaments. Lastly, the data are also exchanged within the Organisation for Security and Co-operation in Europe (OSCE).

In order to further promote participation in the UN Register of Conventional Arms, the Netherlands has joined with Canada, Germany, Japan and the United Nations Department for Disarmament Affairs (UN-DDA) in an initiative to organise a number of (sub-)regional workshops on transparency in armaments. The organisation of such workshops was one of the recommendations of the Group of Government Experts which met in 2000. Following the previous workshops for Southern Africa and West Africa, in November 2002 and in February 2003 two workshops were held, which were organised in close co-operation with the host countries. The first workshop, which focused on the CARICOM region, took place in November 2002 in Lima, Peru. The second - sub-regional - workshop was held in February 2003 in Bali, Indonesia. It focused on the ASEAN countries. The Netherlands was the main donor of these two workshops.

In 2003 the triennial meeting of the Group of Government Experts of the Register of Conventional Arms took place. This group of experts evaluated the scope of the UN Register, also in the light of the findings of the sub-regional workshops. Due in part to efforts by the Netherlands, the evaluation yielded the recommendations that the calibre of artillery systems coming within the scope of the Register should be extended from 100 mm to 75 mm and that the missiles and missile launch systems category should be extended to include Man-Portable Air Defence Systems (MANPADS). The possibility was also created for notifying – on a voluntary basis – the import and export of small arms and light weapons. These recommendations were adopted by the Secretary General in his annual report to the General Assembly. This result was confirmed by the relevant resolution as moved by the Netherlands, which was passed by the General Assembly without opposition in November 2003.

7. The Wassenaar Arrangement

On the multilateral level, developments surrounding arms exports are discussed in the framework of the Wassenaar Arrangement on Export Controls for Conventional Arms and Dual-Use Goods and Technologies (WA). Altogether 33 countries, including the United States, Russia and the EU member states⁴, are party to this forum, which owes its name to the town where, under the presidency of the Netherlands, the negotiations were conducted on the founding of the arrangement. These countries together account for over 90% of total exports of military goods.

The goal of the WA, as stated in the Initial Elements⁵, is to contribute towards regional and international security and stability. This goal is pursued by means of regular information exchange relating to exports to third parties of arms and of goods that can be used for military purposes. The intention is to promote a greater sense of responsibility in national assessments of applications for licences for exports of such goods. Clearly, more information will enable participant countries to assess with greater accuracy whether the arms build-up of certain countries or regions exceeds their legitimate needs for defence equipment. If that is the case, this should result in participant countries becoming more cautious in their licence issuing policy towards such countries of final destination.

The Wassenaar Arrangement has a list of military goods which are deemed to be subject to export controls. In the Netherlands, this control list forms an integral part of the Strategic Goods Import and Export Order. Each revision of the WA list therefore automatically results in an amendment to the above-mentioned Import and Export Order.

For the Wassenaar Arrangement 2003 was dominated by the triennial evaluation. Intensive preparations in eleven task groups, each assigned an individual theme to address, enabled the Plenary Meeting in December to reinforce the arrangement in a number of areas. For example, partly with a view to the control of terrorism it was agreed to tighten the security guidelines for Man-Portable Air Defence Systems (MANPADS) and to add them to the list of weapons systems exports of which are notifiable to WA participating states. On the motion of the Netherlands and the United States, SALW intended for military end-use were added to that list as well. Incorporation of this eighth category means that mutual transparency in the field of arms exports now reaches visibly further in the WA than in the UN Register of Conventional Arms.

Furthermore, on the proposal of the EU Member States it was decided that all WA participating states are to introduce legislation in line with the existing catch-all provision of the European Dual Use Regulation. This provision, which makes it possible for the export of goods not appearing on the control lists also to be

⁴ In 2003 this applied to the European Union in its entirety; of the ten countries that acceded to the EU in 2004, however, six had not yet been admitted to the WA as participants at the publication date of this report.

⁵ The Initial Elements can be found on the website of the Wassenaar Arrangement, www.wassenaar.org.

subjected to mandatory licensing under certain circumstances, is of particular relevance to the WA with regard to arms embargoes (cf. Art. 4 section 2 of Regulation (EC) 1334/2000). With regard to non-proliferation of weapons of mass destruction (Art. 4 section 1 of that Regulation), the Member States had already introduced the catch-all provision in the WMD-related export control regimes.

In conclusion it is also worthy of mention that a Norwegian proposal on the introduction by all WA participating states of legislation governing brokers was adopted. As a consequence, not only exporters but also persons and businesses not themselves exporting arms but arranging, from a WA participating state, arms transactions between third countries will be required to apply for a licence. In the Netherlands such a requirement has already existed for some time. For the sake of transparency and in the hope that non-WA partner countries will take similar measures, many of the resolutions adopted by the WA Plenary Assembly in 2003 have been posted on the Wassenaar Arrangement website.⁶

8. EU co-operation

EU co-operation on arms exports is co-ordinated within COARM, the Working Group on Conventional Arms Exports. This working group consists of EU member state representatives with responsibility for their country's arms export policy. On behalf of the Netherlands, representatives of the Ministry of Foreign Affairs and the Ministry of Economic Affairs have a seat in COARM.

In COARM, within the framework of the Common Foreign and Security Policy (CFSP) the EU member states exchange information on their arms export policy and endeavour to improve the mutual co-ordination of these policies and the relevant procedures. The EU Code of Conduct referred to in Section 3 of this annual report forms the basis for this.

This co-ordination effort led in June 2003 to the adoption of a legally binding Common Position (CP) on arms brokerage. The CP sets minimum requirements on national legislation with regard to arms brokering, including the introduction of mandatory licensing for such transactions. The CP is of particular significance for member states not yet in possession of national legislation governing arms brokerage and will oblige them to introduce such legislation as soon as possible. The CP furthermore provides for application of the notification and consultation mechanism of the EU Code of Conduct to brokerage transactions by those member states already implementing such legislation, such as the Netherlands.

November 2003 saw publication of the fifth EU annual report drawn up by COARM, reviewing the subjects discussed within COARM in 2002.⁷ The report furthermore contains statistical information on arms exports and application of the Code of Conduct by the member states in 2003. Besides general data on exports by

⁶ For the Wassenaar Arrangement website visit: www.wassenaar.org .

⁷ The annual reports of COARM are available on the EU Council website: http://ue.eu.int/cms3_fo/showPage.asp?id=408&lang=en&mode=g

individual member states, the report also includes data classified by geographical region and by individual member states, the number of licence denials issued by individual member states and the total number of licence denials issued by the member states in respect of individual countries of final destination, in addition to the number of consultations undertaken by EU partners.

In order to increase transparency in the application of the Code, as in the fourth EU annual report the present report contains a compendium of all agreed practices since the Code was adopted in 1998 and since published in the successive annual reports. In addition this annual report now includes a practical user guide to the Code of Conduct, on which the member states reached agreement in the year under review. The user guide provides practical guidelines regarding the information and consultation procedure on licence denials as laid down in the Code.

In addition, a start was made on setting up a central database of national denials, to be maintained by the EU Council Secretariat in Brussels. These initiatives are expected to lead to greater efficiency in national decision-making and to improved policy co-ordination among the member states. They will also contribute towards the smooth integration of the Code of Conduct practice in the ten new EU member states and towards the effective and unequivocal application by those countries of the criteria laid down in the Code.

It will also be possible to assure such application of the criteria by setting interpretative guidelines for each criterion. In 2003 COARM decided that such guidelines should be set for criterion eight of the Code of Conduct, which considers the relative balance between the military expenditure and the development level of a country of final destination. This task has been assigned to a COARM expert group, of which the Netherlands is a member. The guidelines are expected to be formalised in the course of the Netherlands presidency.

The accession of the ten new member states to the EU will lead to a further rise in the number of denial notifications and consultations and hence to an intensified dialogue among the member states regarding interpretation of the Code. In 2003, the (then 15) member states reported a total of 412 licence denials (2002: 402), of which seven by the Netherlands (see Appendix 4). The Netherlands was involved in a total of eight consultations: two were initiated by the Netherlands and six were addressed to this country.

In conclusion, it is a major goal of the EU and its member states to promote observance of the principles and criteria of the Code of Conduct. In this respect particular attention was focused on the candidate member states of the EU and other countries in the region. In that context, in 2003 the Netherlands organized working visits to this country for government officials from Slovakia and Romania with responsibility for implementation of the arms export (control) policy. In addition, a contribution was made to a seminar on the operation of the EU Code of Conduct, which was organised in Bratislava by the United Kingdom in co-operation with

Slovakia on behalf of EU candidate member states. On a Netherlands initiative, COARM recently reached agreement on an outreach programme aimed at improving co-ordination of bilateral initiatives of member states in this area and at promoting joint activities.

Besides COARM, the EU also has the ad-hoc POLARM working group, which concentrates on the promotion of a European defence equipment policy and the restructuring of the European defence industry. The deliberations within this group are progressing slowly in view of the subject matter, sensitive in nature as it is with regard to the national (defence) interests of the member states. In the year under review, matters discussed included a number of initiatives of the European Commission. These relate to an EC communication concerning an EU defence equipment policy (COM(2003)113), a strengths and weakness analysis of the European defence industry performed by the Commission (DS 30/2003) and a pilot project on the funding of research and development in the field of security. Consideration was also given to the (mandate of the) European armaments agency.

9. Small arms and light weapons

In order to counter the risk of SALW proliferation to conflict regions, criminal organisations and terrorist groups, it is of great importance that the international understandings which have been reached within EU, OSCE and UN frameworks in order to combat illegal trafficking in SALW are implemented.

UN Conference on SALW in 2003

The first biennial meeting of the UN on implementation of the UN Action Programme on SALW took place in New York in July 2003. The UN Action Programme (2001) includes politically binding measures providing among other things for the introduction of effective legislative and regulatory instruments governing the production of and trade in SALW, their safe storage, transport, stock control, and the destruction of surplus.

Although the results with regard to implementation of the UN Action Programme vary from region to region, all countries attach great importance to the control of illegal trafficking in these weapons, precisely in view of the relation with development issues and crime.

The Netherlands has meanwhile complied with all obligations arising from the UN Action programme. Apart from the implementation of existing policy, the Netherlands government focuses much attention on the initiation of more far-reaching international understandings relating to brokering, marking and tracing, etc.

Marking and Tracing

In response to a positive advice by the UN Expert Group, in which the Netherlands was represented and which carried out a study in 2003 into the prospects for an international instrument for SALW marking and tracing, negotiations on such an instrument are to be commenced in 2004. The negotiating sessions of this working

group are due to be completed in June 2005. The results of these negotiations will be presented at the next biennial UN conference on SALW that will take place in July 2005.

Brokering

At a conference on SALW brokering held in Oslo in April 2004, the foundation was laid for the Norwegian-Netherlands initiative aimed at gaining increased control on the practice of brokering. Although this practice is in principle legal, it is precisely through the intervention of brokers that arms transactions are able to take place to countries that are subject to an arms embargo or to groupings that are unable to acquire arms via the regular route in the region concerned. The Netherlands and Norway are co-operating with regional organisations (ASEAN, ECOWAS, SADC, the Pacific Forum and the OAS) in setting up a regional system in the field of brokering that conforms to existing legislation and regulation. Talks have been held with ECOWAS and SADC about concrete activities in this sphere.

OSCE chairmanship in 2003

During the Netherlands chairmanship of the OSCE in 2003, consultations were held at the OSCE Economic Forum on further co-operation in the field of illegal trafficking in SALW, people and drugs. Partly in response to these consultations the Netherlands and Norway held preliminary discussions with a number of OSCE member states, including Russia, the United States, Turkey and current OSCE chairman Bulgaria on the matter of an OSCE instrument to deal with SALW brokering. A draft text for this instrument is currently under discussion within the OSCE.

Supported Projects

The Netherlands Government has provided financial support from the Small Arms Fund (Fonds Kleine Wapens) to projects intended to assist nations in implementing the UN Action Programme. The Minister for Development Co-operation makes an annual appropriation of approx. EUR. 2.3 million for this purpose. In 2003, the Netherlands Government provided support for projects in for example the Balkan, Afghanistan, Cambodia, South America and Southern and East Africa in the field of arms destruction, secure storage and the drafting of national action plans to control illegal trafficking in SALW.

10. Transit

On 27 April 2001 an amendment to the Import and Export Act came into force, creating the possibility for the classification and assessment system of the arms export policy to be extended in certain cases to the transit of strategic goods. Until that date, controls on the transit of weapons had been based on the Arms and Munitions Act, which had its own implementing authorities and was primarily focused on controlling the presence of arms on Netherlands territory. The transfer of transit control to the Import and Export Act implies that the primary focus of that control is

now on maintaining the international legal order. It also implies that implementation and supervision of its enforcement have been assigned to those authorities responsible for performing those same tasks for export control purposes.

As was explained while the amendment to the act was before Parliament, the new administrative power was subsequently formulated in the Strategic Goods Import and Export Order as a generic mandatory licence for cases where military goods in transit remain in the Netherlands for an extended period or where they undergo some processing operation in the course of transit. In addition, it also provides for a mandate to impose an ad hoc licence requirement for transit consignments of military goods not covered by the generic mandatory licence. This latter possibility can be used in particular where there are indications that a consignment is not already subject to the effective export control of the country of origin or where it would appear that, in the course of its transit through Netherlands territory, a consignment may be redirected to a destination other than that intended upon the issuance of an export licence.

Besides a mandatory licence, formulation of the new administrative power was accompanied by the introduction of a mandatory notification for transit consignments of certain types of arms. Following evaluation of the transit regulations, on 20 November 2003, at a General Consultative Meeting with the Parliamentary Committees for Economic Affairs and for Foreign Affairs, the undertaking was given that mandatory notification will be extended to include all military goods appearing on the list pertaining to the Annex to the Strategic Goods Import and Export Order. The intention is to gain improved insight into the position occupied by the Netherlands as a transit country. Extension of the mandatory notification will have to be implemented by means of an amendment to the above-mentioned Order. It is expected that this amendment will come into force in the autumn of 2004.

Appendix 1. Tables showing the value of licences for exports of military goods issued in 2003 by category of goods and by country of final destination.

Introduction

The total value of licences for exports of military goods issued in 2003 amounted to € 1150.80 million. That is a robust increase relative to 2002, when the total value was € 450.33 million. This increase is largely attributable by the increase in sales to Greece and Poland; an S-class frigate was sold to Greece. Furthermore radar systems and command & control systems were supplied to the navies of both countries.

Exports of military goods accounted for 0.49% of total Netherlands goods exports in 2003 (€ 232.8 billion). For an international comparison of this percentage, it is important to take into consideration a number of specific aspects of Netherlands regulations in the field of military goods exports. In the Netherlands, it is not only exports of military goods manufactured by Netherlands industry that are subject to mandatory licence. As a matter of course that also applies to exports arising from trade transactions conducted from the Netherlands. Perhaps less as a matter of course but still of importance to the Netherlands figures is the fact that the Government itself is also required to apply for licences to export military goods. Only the equipment of Netherlands military units accompanying those units on exercises or UN operations abroad is exempted from mandatory export licensing. Disposals of Netherlands defence equipment to third countries are therefore subject to mandatory licensing, and are included in the figures.

Methodology

The values reported below are based on the value of the licences for definitive export of military goods issued in the period under review. The licence value indicates the maximum export value, although at the time of publication that value need not necessarily correspond with the exports actually realised. Licences for temporary export have been disregarded in the figures, in view of the fact that such licences are subject to mandatory re-import. These cases normally relate to consignments for demonstration or exhibition purposes. On the other hand, licences for trial or sample consignments are included in the figures because re-import obligation is attached to these exports in view of their nature. Licences for goods returned following repair in the Netherlands are similarly not included in the reported figures. However, in such cases the goods must have formed part of prior deliveries, the value of which will therefore have been included in a previous report. Inclusion of such "return following repair" licences would clearly lead to duplication of the figures. For the same reason, the value of licences for which the term of validity has been extended does not appear in the figures. Lastly, the same applies to licences that are replaced in connection, for example, with the recipient's change of address. If an extension or replacement licence with a higher value than the original licence is issued, the added value will of course be reported.

For the purpose of classifying the licence value for individual transactions in the table showing the value by category of military goods, it was in many cases necessary to

include co-supplied parts and components and installation costs as part of the value of complete systems. The value of licences for the initial delivery of a system is effectively based on the contract value, which often comprises installation and a number of parts and components. The value of licences for the subsequent delivery of components is included in categories A10 or B10.

In conclusion, to compile the table showing the value of licences issued by category of military goods a choice had to be made as to the classification of sub-systems. It was decided to apply a differentiation based on the criterion of the extent to which a sub-system can be regarded as standalone or multifunctional. This has a bearing in particular on the classification of licences for exports of military electronics. If such a product is suitable solely for a maritime application, for example, the associated sub-systems and their components are classed in category A10, as components for category A6, "warships". If such a product is not manifestly connected to one of the first seven sub-categories of main category A, it will be classed in sub-category B4 or in sub-category B10.

2003 (first-half)

**Table 1: Value of licences issued for the definitive export of military goods
in first-half of 2003
by category ¹**

Main Category A, "Arms and Munitions"	2003 (I) EUR million
1. Tanks	-
2. Armoured vehicles	4.80
3. Large-calibre weapons (>12.7 mm)	15.10
4. Combat aircraft	-
5. Combat helicopters	-
6. Warships	35.34
7. Guided missiles	-
8. Small-calibre weapons (≤ 12.7 mm)	0.47
9. Ammunition and explosives	15.01
10. Parts and components for "other military goods" ²	189.48
Total Cat. A	260.20
Main Category B, "Other military goods"	2003 (I) EUR million
1. Other military vehicles	6.45
2. Other military aircraft and helicopters	-
3. Other military vessels	-
4. Military electronics	147.56
5. ABC substances for military use	-
6. Military exercise equipment	1.67
7. Armour-plating and protective products	0.01
8. Military auxiliary and production equipment	0.74
9. Military technology and software	0.52
10. Parts and components for "Other military goods" ³	66.83
Total Cat. B	223.78
Total Cat. A + B	483.98

**Table 2: Value of licences issued for the definitive export of military goods
in first-half 2003
by country of final destination**

2003 (first-half) EUR million					
Country of final destination	CAT. A	Specification	CAT. B	Specification	TOTAL
Argentina	-	-	0.08	B10	0.08
Austria	3.15	A8,A9,A10	-	-	3.15
Bahrain	0.56	A10	6.35	B1	6.91
Brazil	0.43	A10	-	-	0.43
Brunei	-	-	0.21	B10	0.21
Canada	0.37	A8,A10	-	B10	0.37
Chile	-	-	0.02	B10	0.02
Denmark	0.26	A8, A10	0.08	B10	0.34
Finland	0.60	A8,A10	-	-	0.60
France	1.34	A10	3.41	B4,B8,B9,B10	4.75
Germany	10.12	A8,A9,A10	3.66	B4,B9,B10	13.78
Greece	43.72	A2,A6,A9,A10	0.77	B4,B10	44.49
Hong Kong	-	-	0.03	B4	0.03
India	0.22	A10	0.72	B4	0.94
Indonesia	5.02	A10	-	-	5.02
Israel	0.01	A10	-	-	0.01
Italy	1.90	A8,A10	0.37	B4,B10	2.27
Japan	-	-	0.32	B9,B10	0.32
Jordan	15.10	A3	0.10	B1	15.20
Malaysia	1.50	A10	1.30	B4	2.80
Morocco	-	-	0.28	B10	0.28
Norway	0.01	A8,A9	-	-	0.01

Poland	-	-	81.03	B4,B10	81.03
Portugal	-	-	0.76	B10	0.76
Qatar	0.00	A10	0.01	B10	0.01
Saudi Arabia	0.78	A10	-	-	0.78
Singapore	-	-	0.03	B10	0.03
South Korea	-	-	37.37	B10	37.37
Spain	2.69	A8,A9,A10	0.41	B4,B9,B10	3.10
Sweden	1.18	A8,A9,A10	0.11	B4,B6	1.29
Switzerland	1.15	A8,A9,A10	0.01	B9	1.16
Thailand	-	-	0.33	B10	0.33
Turkey	5.71	A10	62.79	B4,B9,B10	68.50
United Arab Emirates	-	-	0.08	B10	0.08
United Kingdom	10.63	A8,A9,A10	5.21	B4,B8,B10	15.84
United States of America	153.31	A8,A9,A10	17.67	B4,B6,B7,B10	170.98
United Kingdom	10.63	A8,A9,A10	5.21	B4,B8,B10	15.84
Zambia	-	-	0.26	B8	0.26
Miscellaneous NATO countries ⁴	0.43	A10	-	-	0.43
Countries accounting for export values below EUR 10,000:					
Australia, Czech Republic, Kenya, Netherlands Antilles, ⁵ New Zealand, South Africa	0.00	A4,A8,A10	0.00	B4, B10	0.01 ⁶
Total	260.20		223.78		483.98

Footnotes to tables 1 and 2, first-half 2003

¹ Rounding-off to two digits after the comma means in both Table 1 and Table 2 that sub-categories where the value remains below EUR 10,000 are not reported separately.

² The sub-category A10, parts and components for "Arms and munitions", consists largely of the value of € 39 million; relating to components for (combat) aircraft and armoured vehicles and the value of almost € 102 million, relating to canisters and components therefor, intended for the PAC 3 programme, both for the United States.

³ The sub-category B10, parts and components for "Other military goods", consists largely of a

value of just over € 37 million to South Korea; consisting of parts for cryogenerators, parts for radar fire control systems, and communication modules for military vehicles. In addition a value of just over € 15 million, representing Javelin training simulators for the United States.

⁴ The item “Miscellaneous NATO countries” relates to export licences for components coming into sub-category A10, for the purpose of which a number of NATO countries (excluding Greece and Turkey) are licensed final destinations. In practice, this type of licence is used for the supply of components to manufacturers wishing to have the capability to make supplies out of stock to the NATO customers listed as end-users on the licence.

⁵ In the Netherlands, an export licence is required for the export of pistols or rifles for sporting or hunting purposes. If such firearms are to remain abroad for an extended period, even though they accompany the owner, a licence for definitive export must be applied for. A proportion of the exports to the countries of final destination shown in the table as accounting for total export licence values not exceeding EUR 10,000, relates to export transactions of this nature.

⁶ The amounts rounded-off to 0.00 are effectively as follows: Category A: € 2100 + Category B: € 4200 = Total: € 6300 (rounded-off: 0.01).

2003 (second-half)

*Table 1: Value of licences issued for the definitive export of military goods
in second-half 2003
by category ¹*

Main Category A, "Arms and Munitions"	2003 (2) EUR million
1. Tanks	0.00
2. Armoured vehicles	0.00
3. Large-calibre weapons (>12.7 mm)	0.00
4. Combat aircraft	0.00
5. Combat helicopters	0.00
6. Warships	0.00
7. Guided missiles	0.00
8. Small-calibre weapons (≤ 12.7 mm)	0.20
9. Ammunition and explosives	2.05
10. Parts and components for "Arms and Munitions" ²	88.20
Total Cat. A	90.45
Main Category B, "Other military goods"	2003 (2) EUR million
1. Other military vehicles	0.00
2. Other military aircraft and helicopters	0.11
3. Other military vessels	0.00
4. Military electronics	422.07
5. ABC substances for military use	0.00
6. Military exercise equipment	0.00
7. Armour-plating and protective products	0.00
8. Military auxiliary and production equipment	1.05
9. Military technology and software	6.21
10. Parts and components for "Other military goods" ³	146.93
Total Cat. B	576.37
Total Cat. A + B	666.82

**Table 2: Value of licences issued for the definitive export of military goods
in second-half 2003
by country of final destination**

2003 (second-half) EUR million					
Country of final destination	Cat. A	Specification	Cat. B	Specification	TOTAL
Argentina	0.00		0.01	B10	0.01
Australia	1.21	A10	0.05	B10	1.26
Austria	0.93	A8,A10	0.00		0.93
Bahrain	1.76	A10	0.00		1.76
Bangladesh	0.00		2.66	B10	2.66
Canada	1.92	A10	0.03	B10	1.95
Chile	0.50	A9,A10	0.00	B10	0.50
Czech Republic	0.02	A8	0.00		0.02
Denmark	1.46	A10	1.74	B2,B4,B10	3.20
Finland	0.79	A10	0.00	B10	0.79
France	1.98	A8,A10	5.68	B9,B10	7.66
Germany	13.38	A8,A9,A10	57.13	B4,B9,B10	70.51
Greece	0.75	A10	386.42	B4,B9,B10	387.17
Hungary	0.00		0.02	B10	0.02
Iceland	1.92	A10	0.00		1.92
India	0.00		7.78	B10	7.78
Italy	0.72	A8,A10	1.23	B4,B9,B10	1.94
Japan	1.21	A10	0.00		1.21
Morocco	0.00		0.26	B10	0.26
Norway	3.02	A9,A10	2.23	B4,B10	5.26
Pakistan	0.00		0.63	B10	0.63
Poland	1.21	A10	6.83	B4	8.04

Portugal	0.71	A10	1.01	B10	1.71
Qatar	0.00		1.09	B10	1.09
Slovakia	0.11	A9	0.00		0.11
South Africa	0.17	A8,A9	0.32	B4,B9	0.49
South Korea	0.02	A10	62.53	B9,B10	62.56
Spain	0.99	A9,A10	0.32	B9,B10	1.31
Sweden	1.28	A9,A10	1.50	B4,B10	2.78
Switzerland	0.10	A9,A10	2.43	B4,B10	2.53
Taiwan	7.19	A10	0.00		7.19
Thailand	0.00		0.12	B10	0.12
Turkey	0.00		6.92	B4,B9,B10	6.92
United Arab Emirates	0.00		0.17	B4,B10	0.17
United Kingdom	1.76	A8,A9,A10	4.09	B4,B9,B10	5.85
United States of America	44.59	A9,A10	21.64	B4,B8,B9,B10	66.24
Yemen	0.00		0.97	B10	0.97
Miscellaneous NATO countries ⁴	0.71	A10	0.56	B9,B10	1.27
<i>Countries accounting for export values below EUR 10,000:</i>					
Brazil, Ecuador, Malaysia, Namibia, New Zealand, Paraguay, Singapore, Sudan, Surinam ⁵	0.02	A8,A9,A10	0.01	B10	0.03
Total	90.45		576.37		666.82

Footnotes to tables 1 and 2, second-half 2003

¹ Rounding-off to two digits after the comma means in both Table 1 and Table 2 that sub-categories where the value remains below EUR 10,000 are not reported separately.

² The sub-category A10, parts and components for "Arms and munitions", consists largely of supplies of components for combat helicopters (approx. € 26 million) and combat aircraft components (approx. € 9 million) to the US, supplies of armoured vehicle components to Germany (approx. € 10 million) and the supply of parts for the two submarines supplied to Taiwan in the late 1980s (approx. € 7 million).

³ The sub-category B10, parts and components for "Other military goods", consists largely of supplies of parts for radar systems and command & control systems for the navies of South Korea (approx. € 62 million) and Germany (approx. € 53 million).

⁴ The item “Miscellaneous NATO countries” relates to export licences for components coming into sub-category A10, for the purpose of which a number of NATO countries (excluding Greece and Turkey) are licensed final destinations. In practice, this type of licence is used for the supply of components to manufacturers wishing to have the capability to make supplies out of stock to the NATO customers listed as end-users on the licence.

⁵ In the Netherlands, an export licence is required for the export of pistols or rifles for sporting or hunting purposes. If such firearms are to remain abroad for an extended period, even though they accompany the owner, a licence for definitive export must be applied for. A proportion of the exports to the countries of final destination shown in the table as accounting for total export licence values not exceeding EUR 10,000, relates to export transactions of this nature.

2003 (total)

*Table 1: Value of licences issued for the definitive export of
military goods in 2003
by category¹*

Main Category A, "Arms and Munitions"	2003 EUR million
1. Tanks	0.00
2. Armoured vehicles	4.80
3. Large-calibre weapons (>12.7 mm)	15.10
4. Combat aircraft	0.00
5. Combat helicopters	0.00
6. Warships	35.34
7. Guided missiles	0.00
8. Small-calibre weapons (≤ 12.7 mm)	0.67
9. Ammunition and explosives	17.06
10. Parts and components for "Arms and Munitions" ²	277.68
Total Cat. A	350.65
Main Category B, "Other military goods"	2003 EUR million
1. Other military vehicles	6.45
2. Other military aircraft and helicopters	0.11
3. Other military vessels	0.00
4. Military electronics	569.63
5. ABC substances for military use	0.00
6. Military exercise equipment	1.67
7. Armour-plating and protective products	0.01
8. Military auxiliary and production equipment	1.79
9. Military technology and software	6.73
10. Parts and components for "Other military goods" ³	213.76
Total Cat. B	800.15
Total Cat. A + B	1150.80

*Table 1: Value of licences issued for the definitive export of
military goods in 2003
by country of final destination*

2003 (total)					
EUR million					
Country of final destination	Cat. A	Specification	Cat. B	Specification	TOTAL
Argentina	0.00		0.10	B10	0.10
Australia	1.21	A10	0.05	B10	1.26
Austria	4.08	A8,A9,A10	0.00		4.08
Bahrain	2.32	A10	6.35		8.67
Bangladesh	0.00		2.66	B10	2.66
Brazil	0.43	A10	0.00		0.43
Brunei	0.00		0.21	B10	0.21
Canada	2.30	A8,A10	0.03	B10	2.32
Chile	0.50	A9,A10	0.02	B10	0.52
Czech Republic	0.02	A8	0.00		0.02
Denmark	1.72	A8,A10	1.82	B2,B4,B10	3.54
Finland	1.39	A8,A10	0.00		1.39
France	3.31	A8,A10	9.10	B4,B8,B9,B10	12.42
Germany	23.50	A8,A9,A10	60.79	B4,B9,B10	84.29
Greece	44.48	A2,A6,A9,A10	387.18	B4,B9,B10	431.66
Hong Kong	0.00		0.03	B4	0.03
Hungary	0.00		0.02	B10	0.02
Iceland	1.92	A10	0.00		1.92
India	0.22	A10	8.50	B10	8.72
Indonesia	5.02	A10	0.00		5.02
Israel	0.01	A10	0.00		0.01
Italy	2.62	A8,A10	1.60	B4,B9,B10	4.22
Japan	1.21	A10	0.32	B9,B10	1.53
Jordan	15.10	A3	0.10	B1	15.20

Malaysia	1.50	A10	1.30	B4	2.80
Morocco	0.00		0.54	B10	0.54
Norway	3.04	A8,A9,A10	2.23	B4,B10	5.27
Pakistan	0.00		0.63	B10	0.63
Poland	1.21	A10	87.86	B4,B10	89.07
Portugal	0.71	A10	1.76	B10	2.47
Qatar	0.00		1.09	B10	1.09
Saudi Arabia	0.78	A10	0.00		0.78
Singapore	0.00		0.02	B10	0.02
Slovakia	0.11	A9	0.00		0.11
South Africa	0.17	A8,A9	0.32	B4,B9	0.49
South Korea	0.02	A10	99.90	B9,B10	99.93
Spain	3.67	A8,A9,A10	0.74	B4,B9,B10	4.41
Sweden	2.46	A8,A9,A10	1.61	B4,B10	4.07
Switzerland	1.25	A8,A9,A10	2.44	B4,B10	3.68
Taiwan	7.19	A10	0.00		7.19
Thailand	0.00		0.45	B10	0.45
Turkey	5.71	A10	69.70	B4,B9,B10	75.42
United Arab Emirates	0.00		0.25	B4,B10	0.25
United Kingdom	12.39	A8,A9,A10	9.30	B4,B9,B10	21.69
United States of America	197.90	A8,A9,A10	39.31	B4,B6,B7,B8,B9,B10	237.21
Yemen	0.00		0.97	B10	0.97
Zambia	0.00		0.26	B8	0.26
Miscellaneous NATO countries ³	1.13	A10	0.56	B9,B10	1.69
<i>Countries accounting for export values below EUR 10,000:</i>					
Ecuador, Namibia, New Zealand, Paraguay, Sudan, Surinam ⁴	0.01	A8,A9,A10	0.01	B10	0.03 ⁵
Total	350.65		800.15		1150.80

Footnotes to tables 1 and 2, 2003 (total)

¹ Rounding-off to two digits after the comma means in both Table 1 and Table 2 that sub-categories where the value remains below EUR 10,000 are not reported separately.

² For an explanation of the principal supplies in the categories A10 en B10 that took place in the year under review, reference is made to the footnotes to tables 1 and 2, first-half and second-half 2003.

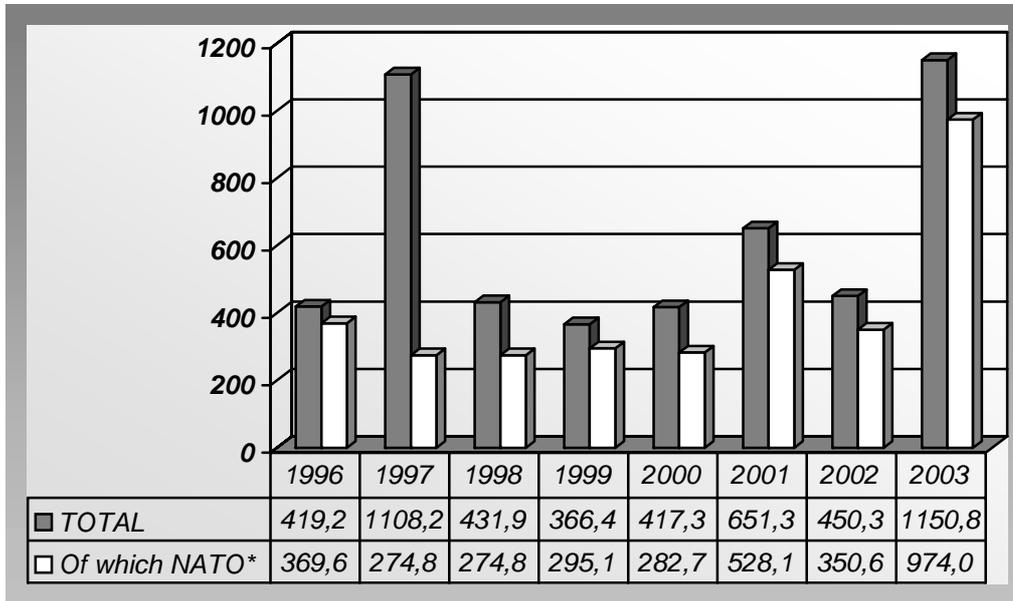
³ The item "Miscellaneous NATO countries" relates to export licences for components coming into sub-category A10, for the purpose of which a number of NATO countries (excluding Greece and Turkey) are licensed final destinations. In practice, this type of licence is used for the supply of components to manufacturers wishing to have the capability to make supplies out of stock to the NATO customers listed as end-users on the licence.

⁴ In the Netherlands, an export licence is required for the export of pistols or rifles for sporting or hunting purposes. If such firearms are to remain abroad for an extended period, even though they accompany the owner, a licence for definitive export must be applied for. A proportion of the exports to the countries of final destination shown in the table as accounting for total export licence values not exceeding EUR 10,000, relates to export transactions of this nature.

⁵ The amounts rounded-off to 0.01 are effectively as follows: Category A: € 14,931 and for Category B: € 13,421. Added together that yields a value of € 28,352. This total is rounded-off to 0.03.

Appendix 2: Trend in Netherlands arms export 1996 – 2003

(value of licences issued, in EUR million)



* in 2003 the following countries were members of NATO:

Belgium, Canada, the Czech Republic, Denmark, France, Germany, Greece, Hungary, Iceland, Italy, Luxembourg, the Netherlands, Norway, Poland, Portugal, Spain, Turkey, the United Kingdom and the United States of America.

Appendix 3: Licenses for transit of military goods in 2003
(by country of final destination)

2003 <i>EUR million</i>					
Country of final destination	Cat. A	Specification	Cat. B	Specification	TOTAL
Estonia	0.10	A10	-		0.10
Croatia	0.09	A10	-		0.09
Norway	0.08	A10	-		0.08
Ukraine	0.12	A 10	-		0.12
Poland	0.05	A10	-		0.05
Romania	0.06	A10	-		0.06
Saudi Arabia	0.05	A10	-		0.05
Slovakia	0.08	A10	-		0.08
Switzerland	0.20	A10	-		0.20
United Arab Emirates	0.10	A10	-		0.10
United States of America	0.07	A10	-		0.07
Total	1.00		0		1.00

Appendix 4: Denial notifications issued under the EU Code of Conduct in 2003

Date	Number	Destination country	Description	Recipient	End user	Reason for denial
Jan. 2003	NL 01/2003	Taiwan	Gearwheels for M42 armoured vehicles	Merex Inc. Westlake village	Army Logistics Command	Criterion 4
Jan. 2003	NL 02/2003	India	Portable surveillance radar system, (demonstration)	DEFEXPO: International Land & Naval Systems Exhibition,	n.a.	Criteria 3 & 4
March 2003	NL 03/2003	Guinea	Pontoons	Rio Soumba, Conakry	Rio Soumba, Conakry	Criteria 2, 6 & 7
March 2003	NL 04/2003	Egypt	Thermal imaging camera (demonstration)	Ministry of Defence, Cairo	n.a.	Criterion 4
May 2003	NL 05/2003	Israel	F100 jet engine components	Chromalloy Israel Ltd, Qiryat Gat	Israeli Air Force	Criteria 2, 3 & 4
July 2003	NL 06/2003	Pakistan	Turbine Power Unit for F16 aircraft	Springfield International FZE, Sharjah	Pakistan Air Force	Criteria 4, 6 & 8
Aug. 2003	NL 07/2003	Colombia	Machineguns	Industria Militar, Bogota	Industria Militar, Bogota	Criteria 2, 3, 6 & 7
Nov. 2003	NL 08/2003	India	Modification kits for armoured vehicles	Bharat Electronics Ltd, Bangalore	Ministry of Defence, New Delhi	Criterion 7

Appendix 5: Table showing surplus defence equipment disposals in 2003 ¹

Armed force	Type of equipment	To/via ²	Country of final destination	End user
Army	35 mm ammunition	Swiss firm	Germany	German army
Army	Breech block and sight for M-109 howitzer	Netherlands firm	Thailand	Thai army
Army	155 mm shells		Netherlands	Private firm (tests) ³
Army	Pontoons		Netherlands	Private firm
Army	Trucks		Netherlands	AFNORTH (NATO unit)
Army	M-113 C&V armoured vehicle turrets	German firm	Chile	Chilean army
Army	Floating bridge sections		Netherlands	Private firm
Army	M577 fuses		Belgium	Belgian army
Army	105 mm ammunition		Belgium	Belgian army
Navy	Gas turbine	Netherlands firm	UAE	UAE navy
Navy	2 S-class frigates		Greece	Greek navy
Air Force	Bölkow Helikopters (for components)	Netherlands firm		
Air Force	Bölkow Helikopters components	British firm		
Total contract value				€67,241,226

Footnotes to Appendix 5:

¹ The amounts reported are based on the value of the contracts as signed in 2003. Not all deliveries of the goods actually took place in 2003.

² Sale of surplus defence equipment occasionally takes place via a private firm on behalf of an end user already known at the time of sale, or to a private firm for own use or for resale by that firm to an as yet unknown end user or users. See also footnote 3.

³ Sale to private buyers takes place only to firms domiciled in the Netherlands or in countries with an effective arms export policy (NATO and EU member states, and Australia, Japan, New Zealand and Switzerland). If these firms are domiciled elsewhere and if they should wish to re-export the goods concerned, they must apply in advance for permission from the Netherlands State Property Department (Dienst der Domeinen). Furthermore they will be required to apply for an export licence in their country of domicile.