#128 - COMMENT

Armament Industry European Research Group

WHICH TYPE OF ARMAMENT COOPERATION DO WE WANT/NEED?

The Case of Sweden

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The Armament Industry European Research Group (Ares Group) was created in 2016 by The French Institute for International and Strategic Affairs (IRIS), who coordinates the Group. The aim of the Ares Group, a high-level network of security and defence specialists across Europe, is to provide a forum to the European armament community, bringing together top defence industrial policy specialists, to encourage fresh strategic thinking in the field, develop innovative policy proposals and conduct studies for public and private actors.

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ABSTRACT

Even though the security landscape has changed drastically since the Cold War, the main goals for Swedish arms cooperation have stayed roughly the same. Cooperation is seen as valuable for gaining access to competence, for preserving domestic competence, and for decreasing unit costs for procured equipment.

The Swedish experiences of international arms collaboration vary. Success factors include constructive dialogues and relations with the partner countries and companies, and trust. Challenges include country specific equipment requirements, protection of domestic defence companies, and the differences in export regulations.

Sweden will, like other countries, continue to seek the arms cooperations that benefit its national security and its defence industry. More specifically, Sweden is interested in exploring the potential of NATO collaboration, in the light of the newly acquired membership. Sweden also recognises the potential of the EU initiatives like the EDIP and the EDF, but it is through the combination of NATO and EU initiatives that real impact can be achieved. Upcoming strategic procurement decisions will also form the Swedish industry and what collaborations Sweden will pursue in the future.

Keywords: Swedish defence | Defence procurement | Defence industrial development | European partners

INTRODUCTION

Sweden's approach to arms cooperation is partly a result of the view on and role of the domestic defence industry. The role and significance of the domestic defence industry are in turn dependent on Swedish security policy. The most profound decisions were made during World War II and the Cold War. The Swedish stance of neutrality, and later non-alignment, led to the build-up of a relatively large domestic defence industry, which was seen as necessary to access defence equipment. The view on the significance of the Swedish defence industry was however increasingly challenged as defence budgets gradually shrunk after the end of the Cold War.

In light of the declining defence spending, international arms cooperation was considered a strategic cost saving measure. Another response to the reduced defence spending was the policy to develop less equipment domestically and procure more military off the shelf products (Lundberg, 2020). The policy has led to that the development of some of Swedish defence industry products have not been financed by the Swedish Government. It has also led to a highly export driven domestic defence industry. The larger Swedish prime contractors exported 50–75 percent of their defence related turnover during 2020–2024. The most economically substantial deliveries during this period include the fighter jet JAS 39 Gripen to Brazil and the armoured personnel carrier BvS-10 to Germany.

The Swedish defence industry has fared fairly well during the last thirty years, when comparing exports levels with other European countries. The Swedish defence industry also produces a wide array of defence equipment. As is the case for the European Defence Technological and Industrial Base (EDTIB) as a whole, however, the reduced defence budgets of the past have probably impaired research and development for the Swedish defence industry (Lundberg, Björk & Lougui, 2025).

Now, the tables have turned again. The defence industry has become more important as the war in Ukraine shows that production capacity is essential, and Sweden joined NATO in 2024, which is a milestone in Swedish security policy.

GOALS FOR AND RESULTS FROM ARMS COOPERATION

Even though the security landscape has changed drastically since the Cold War, the main goals for arms cooperation have stayed roughly the same. Cooperation has been described in official documents as valuable for accessing competence, for preserving domestic competence, and for decreasing unit costs for procured equipment (Lundberg, 2020). Another goal with international arms cooperation is to establish mutual dependencies between countries and thereby, in theory at least, ascertain security of supply (SOU 2022:24). In the latest Defence Bill, the Swedish Government also points to that international arms cooperation enhances the possibility to access foreign technology, achieve cost efficiency, and increase security of supply as well as facilitate the development of capabilities that Sweden does not have the resources to develop on its own (Proposition 2024/25:34). A crucial prerequisite to achieve the advantages of arms cooperation is that Sweden has something to offer. For this, a capable and competitive defence industry is essential (SOU 2022:24).

How well Sweden has succeeded in achieving these goals over the years has not been thoroughly evaluated, and it is also inherently difficult to evaluate since there is no baseline to compare to. Experiences from cooperation on different levels are accounted for below.

Sweden is, and has been, active in a variety of initiatives concerning the defence industry. Some of the cooperations have taken place under bilateral framework agreements with various countries, one of the most prominent and long term cooperations being with the US. Other cooperations have taken place in a multilateral context. In the beginning of the 2000s, Sweden reached a framework agreement on restructuring the defence industry with the UK, France, Germany, Spain and Italy. The agreement aimed to create the political and legal framework necessary to facilitate industrial restructuring in order to promote a more competitive and robust EDTIB in the global defence market (Ministry of Defence, 2015).

A few years later, the European Defence Agency (EDA) was established. Sweden has participated in more than 80 research and development projects within the EDA since the beginning. The Swedish experiences are mainly positive, including benefits like increased access to knowledge, increased network building, and contribution to national industrial capacity. The time to start up EDA projects is, however, often long, which is due to the administrative routines within and between countries (Totalförsvarets forskningsinstitut, 2025).

Another framework for multilateral cooperation is the Nordic Defence Cooperation (NORDEFCO) which aims to enhance, among others, defence materiel cooperation for increased interchangeability, and military security of supply for improved resilience (NORDEFCO, 2024). Within the framework of NORDEFCO, the requirements for the common battle uniform for Sweden, Norway, Finland, and Denmark were designed (Oxenstierna, 2022). Agreements regarding munitions, and drones were also recently signed (Försvarets materielverk, 2025a; Försvarets materielverk, 2025b). Finland's and Sweden's NATO memberships have increased the possibilities for cooperation.

Sweden has also participated in the Permanent Structured Cooperation (PESCO) and the European Defence Fund (EDF). Sweden actively participates in 9 PESCO projects and has observer status in 14 (Regeringsbeslut I:3, 2025-12-18). Even though the PESCO is not explicitly oriented towards arms cooperation, the projects are important enablers for arms cooperation, especially within the European Defence Fund, where connection to the PESCO is rewarded. Both the EDA and the PESCO projects are considered to generate input for project proposals within the EDF.

Swedish participation in the EDF has encompassed one third of the EDF-projects during the 2021–2023 application rounds, and has been relatively successful so far, considering the economic return (Lundberg, 2023; Lundberg & Hammarstedt, 2024; Fredriksson & Hammarstedt, 2025). However, the trend has been downward, indicating that the industry is balancing limited resources between production, to meet the current surge in demand today, and investment in research and development, to be able to meet demand in the future. The EDF is considered to have contributed additional funding for the participating entities. The EDF has also led to extended collaboration networks and new knowledge, as well as bilateral spin-off opportunities. Swedish participants, moreover, point to the EDF as an opportunity for employees to improve knowledge and to experience international collaborations (Lundberg et al., 2025).

There is no comprehensive compilation of arms cooperations that Sweden has participated in, but there are examples of both successful and failed joint development and procurement projects. Central factors of success are constructive dialogues and relations to the partner countries and companies. Trust is an essential ingredient in these projects and takes time to build. The fewer the partners, the easier cooperation gets, but even bilateral projects could be complex. Withdrawal from projects hurts trust between partners and probably hampers future cooperation efforts (Oxenstierna, 2022). Other factors of success are basic principles and objectives with participation, executive decision-making mechanisms, common requirements and configurations, complementary and sufficiently overlapping industrial drivers, and a framework for exits from the cooperation. These factors all need to be clear and agreed upon by the partners (SOU 2022:24).

There are also structural challenges connected to arms cooperation. These are, among others, country specific equipment requirements, which make cooperation more complex and difficult, and the protection of domestic defence companies by means of juste retour and work share agreements. Another structural problem is the difference in export regulations (Oxenstierna, 2022).

THE FUTURE STRUCTURING AND EVOLUTION OF THE EDTIB

The war in Ukraine and the pending withdrawal of American troops are two major factors behind the huge demand for defence equipment in Europe. The defence market is expanding rapidly and this leads to great opportunities for both established and new defence companies to increase market shares. Larger companies with the ability to act swiftly will probably be winners. And if earlier trends still apply, some of the new companies in the defence market will eventually be absorbed by the larger defence companies. For the EDTIB, the call to buy more European equipment would probably be advantageous, but it may also attract non-European companies to Europe. That could lead to both more consolidation, as large defence companies expand, and a larger number of actors in the European defence market. For the Swedish defence industry, the NATO membership has also provided more easy access to other countries' needs and requirements, which in turn levels the playing field and improves business opportunities.[1]

The demand for speedy deliveries has caused the content of newer agreements (for example transport aircrafts and combat vehicles), that Sweden has entered, to slightly change (Försvarets materielverk, 2025c; Försvarets materielverk, 2025d). The agreements concerning joint procurement have become more pragmatic with less country specific requirements, which enables faster production and deliveries. The agreements with countries that buy Swedish equipment, have included less demands of work share than before. An implication of this is that the underlying subcontractor structures are kept intact. There are, however, still requirements concerning offset, and the national ability to maintain the procured equipment.[2]

[1] The statement on easier access is based on contacts with representatives from the Swedish Security & Defence Industry Association.

[2] These statements are interpretations based on contacts with representatives from the Swedish Defence Materiel Administration (Försvarets materielverk, FMV) and the Swedish Ministry of Defence.

If these experiences are, in fact, new trends, it could change how the defence market works. Intact subcontractor structures could mean a more efficient production of the already developed equipment. Less focus on work share in procurement agreements facilitates deals and cuts bureaucracy. At the same time, work share agreements enable the development of a broader competence base for production of European defence equipment and could be a method to achieve production capacity and resilience.

The EU initiatives of defence and arms cooperation have been helpful for bringing the European defence actors together. In Sweden, however, there are no expectations that the EDF initiatives will lead to solutions that satisfy all the needs of the Member States. Instead, it is likely that a variety of bilateral or multilateral Member State cooperations, will emerge to meet the needs, because of how the defence market works.

WHAT FUTURE COOPERATION DOES SWEDEN WANT?

In general, Sweden will, like other countries, seek the arms cooperations that benefit its national security and defence industry. That includes all what is described above when it comes to cooperation levels, structures, and initiatives. More specifically, Sweden is interested in exploring the potential of NATO collaboration, in light of the newly acquired membership. In this respect the continued work with standards and increased interoperability, production capacity, and common planning are tools to develop the defence market (Försvarsdepartementet, 2025). The NATO membership also enables Sweden to contribute to and access a more comprehensive capability for long range strike and satellite surveillance.

Sweden also recognises the potential of the EU initiatives like the EDIP and the EDF and will try to influence the content to suit Swedish needs (Försvarsdepartementet, 2025). But it is through the combination of NATO and EU initiatives that real impact can be achieved, with NATO setting the capability targets and the EU providing the financial instruments and economic strength to realise those capabilities. Sweden is interested in developing common European capabilities that no European country has today. Sweden's joining the new European Long Range Strike Approach (ELSA) program in October 2024, beside France, Germany, Italy, Poland, and the UK, is an example of this (Breaking Defence, 2024).

Sweden is, however, wary of the ambitions of the EU to create flagship systems and European champions with the justification that the defence market is too fragmented. The defence market is fragmented because the demand originates from 27 Member States, which have separate cultural, historical, geographical and political reasons for choosing certain equipment. Therefore, Sweden would rather see the market evolve through the actions of Member States than by active restructuring from the perspective of a supranational European defence union. There is no single demand from a European defence union today, and the demand for defence equipment in Europe will, therefore, reflect the needs of the different Member States. In this setting, the linear and top-down approach of, for example, the EDF may actually lead to distorted competition and higher costs for some Member States (see Olsson, Dalberg & Junerfält, 2022). Instead, carefully planned and supportive actions for Member States that choose to cooperate should be the focus for the EU initiatives in this time of market expansion.[3]

The Swedish defence industry strategy, that was published in June 2025, is not explicit when it comes to what areas Sweden is willing to cooperate within. There are, however, four strategic materiel areas that the Swedish Government has identified to need special attention from the state. These are: combat aircraft, underwater, elements of command and control (such as electronic warfare and cryptography), and cartridge ammunition. The Swedish Government accentuate the importance of a strategic partnership between industry and state within these areas. However, that does not exclude the possibility of international arms cooperation (Försvarsdepartementet, 2025).

Since Russia’s invasion of Ukraine in 2022, Sweden has renewed and enhanced bilateral defence cooperations with, among others, Germany and France within areas such as research and development, procurement, and competitiveness (Regeringskansliet, 2025; Regeringskansliet, 2024). Swedish dependence on US defence industry remains high, but the dependency is also mutual to some extent (SVT nyheter, 2025). Whether the conditions for industrial cooperation between Sweden and the US will change, as the American interest in European security diminishes, remains to be seen.

In the coming years, there will be a number of important choices for Sweden to make regarding its defence industry. These include deciding on a procurement strategy for new combat aircrafts and surface combatants respectively. Will there be domestic development, joint development or procurement of already developed equipment? What Sweden decides will form its defence industry, and also what type of arms cooperation that Sweden will pursue from there on.

[3] A few thoughts on this are presented in Lundberg (2025).

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