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Understanding Sweden’s security economy

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ABSTRACT
This article aims to map out and analyse how Sweden’s security economy is shaped and sustained through security policies, political decisions, and personal connections amongst commercial and state elites. We treat the arms and security service industries as two sides of the same coin. In doing so, we address a shortcoming in the security literature that often analyses these two fields as separate areas of study with their own set of logic, research questions, theories, and methodologies. By bringing these two areas together, our study contributes to knowledge of the relationship between commercial defence and security actors and the state and a deeper understanding of Sweden’s security economy.

KEYWORDS
Security economy; arms industry; private security; Sweden; security policy; elites

Introduction

The security economy is a system of wide-ranging activities concerned with “preventing or reducing the risk of deliberate harm of life and property.” Such a system includes, inter alia, matters related to defence and counter-intelligence, the public police force, private policing, armed guards, and security technology providers. In its broadest sense, the security economy is a country’s entire security industry – “including its interfaces with security-related activities of governments and their agencies” – whose aim is to sell security or safety. The term market(s) for force has also been used in the literature on private security. Our article draws on these traditional conceptions of markets as formal and informal sites of exchange and identifies the forces that broadly shape Sweden’s security economy.

Sweden is an interesting case because it is a relatively small country in Northern Europe with a strong tradition of neutrality and; until recently, military non-alignment. It has not been at war with another state since 1814 – marking one of the most extended uninterrupted periods of peace experienced by any country in the world. Somewhat paradoxically, however, it has created an entire system based on security provision domestically and abroad. Whilst many states can provide security to their populations, few have the capacity and impetus to establish an entire security economy. Sweden’s ability to create such a system places it in the unusual company of some of the most powerful states in the world despite its relatively modest material power.
Our study focuses on the two industries that dominate Sweden’s security economy: the defence industry and the private security industry. Although vastly different in terms of size, organisation, and specialisation, defence and private security industries are both in the business of selling security; be it military hardware, diplomatic protection, or risk management, and both operate on increasingly globalised markets. Both are also dependent in one way or the other in the (Swedish) state and political and military elites for their business. By bringing these two areas together, our article contributes to the knowledge of the relationships between commercial defence and security actors and the state, and hence a deeper understanding of Sweden’s security economy.

By examining the defence and private security industries together, our article also addresses a shortcoming in the wider security studies literature: these two industries are often analysed as two separate areas of study with their own set of logic, research questions, theories, and methodologies. Whilst there is extensive literature on defence production and arms trade in different countries and internationally, studies in this field rarely incorporate one of the fastest-growing markets of the post-9/11 period: the private security industry. Conversely, the evolving field of private security studies rarely touches upon the links between this largely service-based industry and the defence industry.

Sweden has a long history of producing defence material for domestic purposes and selling arms internationally. The country is also home to a mature and settled security service industry, which has expanded onto the global market. Since the end of the Cold War, and particularly in the last ten years, the Swedish security economy has undergone considerable changes through marketisation, globalisation, and integration. Furthermore, in the past decades, the Swedish Armed Forces and the formulation of foreign and security policies in Sweden have undergone notable transformations. Taken together, these changes represent a development whereby large parts of the Swedish security sector are increasingly overlapping and intertwined within global markets for defence/arms production and security service delivery. Given these changes, and without neglecting the historical roots of this development, it is appropriate to discuss this in terms of establishing a Swedish security economy as something fairly recent. After all, as Stevens notes, “for a long time the security industry operated – to a large extent, at least – separately from public law enforcement and military charged with national security. However, in recent years the industry seems to be increasingly overlapping with these other actors.”

The analysis proceeds as follows: first, we broadly conceptualise the logic underpinning the security economy. We then provide a background section focusing on some of the main changes in Swedish security policies and practices since the end of the Cold War. These changes, we argue, have had a salient impact on the development of Sweden’s security economy. We then turn attention to mapping the logics and the relationships amongst state and commercial defence and security actors that comprise Sweden’s security economy. In the concluding section, we discuss our findings and suggest several avenues for future research.

**Conceptualising the logic underpinning the security economy**

Our guiding assumption is that the logic underpinning the security economy comprises specific interests of elite configurations. These elite configurations, we assert, are made up
of actors in the political-administrative system, as well as in the private sector and civil society. In this state-societal relational approach, private actors are not merely imposing their interests on the state, as some elite theorists assume. Instead, motives are interdependent amongst elites in different sectors of the state and society. In other words, the state is not seen as a passive or disinterested actor; as some state-society theorists assume, but rather as an arena where bureaucratic and political elites align with commercial elites, civil society, and other elites outside of the formal state structures to promote or block certain policies.

We assert that elite interests are often specific to an issue area, and these interests are framed in collective terms because the security economy involves collective goods. How these collective goods are interpreted will also dictate how policymakers act upon them. That is not to say that interests are framed narrowly because most political and economic issues often fit into more than one “box.” To define an issue “is to make an assertion about what is at stake and who is affected and, therefore, to define interests and the constitution of alliances.”

For our analysis, the notion of a power elite is helpful since it draws attention to groups of individuals who are connected across several sectors of society by common interests. However, we would add again that such elite interests cluster around specific issue areas (that is, it is not a constant across all issue areas). Coinciding elite interests around particular issue areas are essential because it constitutes the basis for interdependence – a core assumption of this study. Drawing on the work of Weiss, these elite interests can best be interpreted as a convergence around “governed interdependence.” In that sense, elite interests regarding the security economy are multifaceted, and behaviour in this context is assumed to be based on complex social, economic, and political trade-offs. Nevertheless, it is implicitly assumed that the “glue” that bind certain elite groups together around issues of the security economy is the continuation and growth of those sectors that make up the industry. For example, politicians, trade union officials, and arms or private security industry executives may have very different reasons for wanting Sweden to manufacture and export conventional weapons, or outsourcing security to private actors. However, they might all agree that continuing these practices is vitally important for their respective organisations and constituents. In other words, under conditions of mutual gain, interests converge even though the motives are mixed.

**Policy shifts, marketisation, and outsourcing in post-Cold War Sweden**

During the Cold War, Swedish defence and security policies were dominated by military non-alignment in peacetime, and neutrality in the event of war. A crucial part of the normative foundation and institutionalisation of Swedish neutrality and non-alignment was the self-sufficiency of armament manufacturing. The latter led to creating, amongst other things, a significant defence industry and a self-reliant military. The assumption was that a technologically-advanced; and strong national defence force, mainly Swedish-built and nationally maintained, strengthened Sweden’s independence.

Over the past twenty years, however, Sweden has abandoned its official policy of military neutrality and has instead opted for military non-alignment – a phase witnessing international military operations in collaboration with the United Nations (UN), the European Union (EU) or the North Atlantic Treaty Organisation (NATO). Whilst
Sweden has long been a loyal contributor to traditional “Blue Helmet” peacekeeping missions in the past, there has been increased political will to commit Swedish military forces to international expeditionary operations.\textsuperscript{16} Evidence of this more active stance could be seen, for example, in:

- the deployment of a Swedish Air Force Detachment to help uphold the no-fly zone over Libya in 2011 as part of Operation Unified Protector;
- the contribution of troops to the International Security Assistance Force (ISAF) mission in Afghanistan between 2001 and 2014;
- the ongoing UN \textit{Multi-dimensional Integrated Stabilisation Mission} in Mali (MINUSMA) since 2013 – especially the recent Swedish special forces’ participation in Task Force Takuba in Mali in 2021 (even though Sweden decided to withdraw its troops in 2022);
- the willingness actively to participate in new multilateral frameworks such as the UK’s \textit{Joint Expeditionary Force} and the French-led \textit{European Intervention Initiative} (E12).

Recent years have also seen an increased emphasis on bi- and multi-lateral defence agreements. In 2014, NATO launched the \textit{Enhanced Opportunities Partners} (EOP) programme, which allowed for closer co-operation amongst NATO, Sweden, and Finland,\textsuperscript{17} mainly because of what has been seen as increasingly aggressive posturing by Russia in the Baltic Sea area. In 2016, Sweden signed a non-binding defence agreement with the US, which successive administrations have seen as vital for regional stability.\textsuperscript{18} In 2018, an additional layer of co-operation was implemented through the trilateral \textit{Statement of Intent} amongst the US, Sweden, and Finland that enhanced co-ordination on several fronts regarding military interoperability.\textsuperscript{19} In 2020, a second trilateral formation emerged amongst Sweden, Finland, and Norway when the three states signed a \textit{Statement of Intent} to deepen military operational co-operation, mainly focusing on joint action in crisis and conflict.\textsuperscript{20} Via NORDEFCO, Sweden and its Nordic neighbours have also signed agreements that allow for “enhanced security policy dialogue” during periods of peace and conflict.\textsuperscript{21} The primary objective of NORDEFCO is to achieve a significant degree of military integration in the Nordic region.\textsuperscript{22} Moreover, the UK’s recent departure from the EU has forced Sweden (the so-called “reluctant European”)\textsuperscript{23} to rethink its relationship with the EU. The post-Brexit geopolitical landscape has seen a sharper emphasis from Stockholm to belong to the core of the EU’s Common Foreign and Security Policy (CSDP) – evidenced most notably by the \textit{Strategic Compass} process.\textsuperscript{24} In this context, co-operation and ties with Poland and Germany have also been significantly deepened.\textsuperscript{25}

In the most recent development, and in the face of what is perceived as a deteriorating security situation in Europe, there has been a marked territorial (re-)turn of Swedish defence policy. As international deployments have been scaled down, substantial efforts are being made to modernise and reinvent territorial defence and the concept of “total defence” – basically “a whole of society approach to national security intended to deter a potential enemy by raising the cost of aggression and lowering the chances of its success.”\textsuperscript{26} In the process, Swedish defence spending has significantly increased.\textsuperscript{27} Importantly, and as we shall see, the re-invention of Swedish total defence means new opportunities for commercial actors across several industries and business sectors.
In Sweden, defence and security transformation has followed a wider European pattern of specialisation and trans-nationalisation of military forces. Mirroring trends in many other countries, changes brought about in Sweden since the 1990s have often been aimed at streamlining the military to make it more cost-effective and increase the level of political insight and control. Similar trends took place in the defence industry. As early as 1993, the Swedish government revised the Guidelines for the Exportation of Military Equipment and Other Forms of Collaboration Abroad, leading to greater participation in international collaboration. The economic rationale was that high national defence costs and indigenous self-sustainability – prevalent during the Cold War – became unattainable and unjustifiable after the dismantling of the Soviet Union. By 1996, pressure was mounting on government during Parliamentary sessions to curb defence spending and save on big manufacturing processes. Before the new defence budget was released in 1999, it was also suggested that government take more robust measures to support the conversion of military industries to civilian production. Twenty years on, the latter has been firmly established in the Government’s strategy, inter alia, regarding dual-use items.

Civil-industrial co-operation was seen as a way out of economic and technological constraints. For the most part, such a conversion meant that the civilian side of defence industry would manage Research and Development (R&D). The aim was that defence-related technologies could be used, or converted into products and services for civilian use. Moreover, in the 1990s, the need for exports also ignited a broader discussion in Sweden about how the process of arms supply could be more efficient. Defence industry favoured the efficiency of the market, and with market principles dictating matters, arms trade became more commercialised.

During the Cold War, state-owned companies, or companies with close ties to the government, dominated the market. But by the mid-1990s, it had become evident that the end of the Cold War had decreased the need for a large national, state-owned, or state-controlled defence industry. Thus, through a series of government decisions to deregulate and denationalise defence industry, Swedish companies such as Bofors, Hägglunds, Kockums, and SAAB were sold whole, or in part, and international companies such as BAE Systems entered the market. The government acknowledged internationalisation of this sort as vital to defence restructuring in Sweden in the aftermath of the Cold War.

An increased political trust has shaped changes in Sweden in the past decades in market-based solutions and versions of “New Public Management.” This logic was visible in the reorganisation of the Armed Forces under the rubric of “Network-Based Defence” in the 1990s. In recent years, additional changes were made that substantially affect the Swedish military’s capabilities, organisation, and recruitment of soldiers and officers. In this context, perhaps the most dramatic and significant change was the decision in 2010 to abandon – temporarily, as it turned out – conscription in favour of an all-volunteer force (AVF). Whilst the AVF lasted only a few years, the shift meant that the recruitment of military personnel became based on competition and market logic rather than on coercion. Such shifts can be another way neoliberal ideas gain traction in Swedish defence and military organisations. In addition, a series of efforts have been made to streamline and professionalise the officer corps,
with the introduction of the academic officer programme in 2008 and the re-introduction of NCOs (Non-Commissioned Officers) in 2009 being two changes in this direction.\textsuperscript{40}

Another example of how the Swedish military has been reshaped and streamlined to fit a more market-oriented approach is the reorganisation of logistics and maintenance functions. In 2002, several regional logistics and support units and functions were subsumed under a new central organisation, the Swedish Armed Forces Logistics (SWAFLOG). The new organisation’s purpose was to increase effectiveness, control, and lower costs.\textsuperscript{41} This was to be achieved partly by outsourcing functions such as postal services, food services, stockpiling of spare parts, and janitorial services for the whole of the Armed Forces. In January 2013, another step towards civilianisation and marketisation was taken when several functions were transferred from SWAFLOG to the Swedish Defence Material Administration – a civilian authority under the Ministry of Defence. The official reason for this transfer of responsibilities was to “rationalise” and to “improve efficiency” of maintenance, stockpiling, and procurement services.\textsuperscript{42}

In the early stages of this process, partly because of security problems facing civilian contractors working for the US and the UK in Iraq and Afghanistan, there was some initial hesitation about outsourcing logistics for Swedish missions abroad.\textsuperscript{43} However, the government and the armed forces eventually decided to outsource logistics support and site management services for the Swedish contingent in Afghanistan to a private contractor.\textsuperscript{44}

Taken together, we can see that Swedish defence and security policies and the Swedish military organisation have undergone considerable; and in some respects, fundamental transformation over the past three decades. Whilst much can be said about these changes’ short- and long-term impact, the main argument here is that they signify an increased willingness to adopt market strategies and models in Sweden’s military and security reorganisation processes. When we turn to the market for private security services, a similar picture emerges.

In Sweden, commercial security actors abound. Private security companies (PSCs) provide services for state agencies such as the Swedish Parliament and the military and private enterprises and individuals. Indeed, the sight of private guards in Sweden has become so ordinary as to go almost unnoticed, and only rarely do they form the subject of political debate.\textsuperscript{44} While Swedish state agencies have employed private security companies in the past, the scope of security contracting in Sweden is now unprecedented, mirroring global trends. In recent years, Sweden has seen a move towards a marketisation of public policing, with private guards increasingly being used for patrolling public spaces.\textsuperscript{45} The reliance on private security companies and guards is actively promoted by both Government and the opposition to combat organised crime and complement an overstretched police force. This marketisation goes hand-in-hand with what is seen as a “supply-side deficit of public policing” and an ideological shift promoting market-based solutions to policing.\textsuperscript{46}

When it comes to PSCs performing tasks in high-risk or conflict areas, the number of Swedish companies is small, probably not more than a handful.\textsuperscript{47} Yet, some companies, such as Vesper Group and Scandinavian Risk Solutions (SRS), have managed to secure contracts in Afghanistan, Pakistan, Somalia and elsewhere. Since 2008, some Swedish authorities (such as the Ministry for Foreign Affairs, MFA) have outsourced security functions (e.g. diplomatic protection) in countries such as Afghanistan. Initially, state agencies tried to find state-based solutions, but eventually concluded that neither the
police, nor the military, were viable options and so turned to the market. Speaking about the contract in 2010, MFA officials explained that “roughly speaking, we have contracted for civil servants at the embassies with a specific task to work with security issues.” This idea of “contracting for civil servants” is interesting since it blurs the boundaries between public and private actors in this case.

The private security sector in Sweden has existed since the early twentieth century when the first commercial security companies were created. For a long time, it has also been possible for the police to authorise individuals to perform certain limited policing tasks, especially before 1965, when the police were nationalised and centralised. As national regulation and co-ordination of the police increased, the ability to use non-police personnel as security guards with limited policing powers was institutionalised and codified. These guards are commonly authorised to maintain public order at specific occasions and locations – such as restaurants, nightclubs, shopping malls, camping sites, or sports arenas.

In line with international developments, Sweden’s private security sector has seen substantial growth over the years. Between 1997 and 2007, the annual turnover for the Swedish private security sector increased from US$603 million to over US$1.4 billion. The substantial growth of the private security sector in Sweden is also visible through the increasing number of registered security companies. In the early 1980s, there were approximately 100 security companies in Sweden. By 1993, the number of companies was 362, and in 2016, 900 companies dealt with investigation and security services, and employed just over 24,000 people. The market has been dominated by two global giants for several decades: Securitas, with about 9000 employees in Sweden, followed by G4S (now Avarn Security), with approximately 4000 employees.

For several years, the number of private security guards outnumbered the police in Sweden. Recently, this has started to change. In 2020, the total number of people working as security guards was 18,908, while the number of police officers totalled 20,942. Of the nearly 19,000 security guards, 7830 were (as per February 2021) licenced as “Type II Guards” (Sw. Ordningsvakter) with additional policing powers. Interestingly, both the government and the opposition have suggested that the use and number of Type II guards be increased and their authority expanded to help with additional policing work. In its 34-point programme to combat gang-related crime, the then-government argued that “[the] regulatory framework for security guards will be reviewed, partly based on the need to free up resources for the Swedish Police Authority to use in higher priority police work.” Thus, the security service industry is an integral part of how Sweden deals with domestic policing and security issues.

As becomes evident from the overview above, some of the main changes and transformations of Swedish security policies and practices in recent decades have considerably affected the organisation of Sweden’s broader security industry. It is necessary to consider these changes because it provides an essential empirical platform to examine and understand the development of Sweden’s security economy. The following section turns our attention to the logic underpinning Sweden’s security economy and the relationships amongst the state, commercial defence, and security actors. To that end, we concomitantly analyse the defence industry and the private security industry to highlight the intersections and overlapping nature of Sweden’s security economy.
Sweden’s security economy

The hierarchy of importance for Sweden’s security strategy is deterrence and national defence capabilities. As mentioned in the previous section, historically, to maintain such a strategy, Sweden requires, among other things, a significant defence industry and a self-supporting military. In other words, an advanced technological base that can produce national assets such as submarines, warships, and jet fighters. However, the development, production, and (eventual) export of such major weapons systems is no ordinary undertaking. It is a comprehensive national commitment that requires a complex array of well-established, legitimate, highly functional, and technologically-advanced interdependent components that fluently operate between several different sectors. It necessitates extensive industrial inputs from such sectors, such as steel, metallurgy, machinery, electronics, state intervention, and market facilitation, all supported by cutting-edge R&D. As a senior Swedish politician once noted, “you must have the right conditions to manufacture and export weapons. The ability to do so shows that your country has an economic system, a human resource system and a good political system.”

The incremental development of this national system has become, as Stenlås asserts, exceptionally well-integrated into Swedish society – in political and economic, as well as technological terms and the decision-making structures that underlie such a complex system. We may add that it has also become ideologically embedded within society through the preference shaping of societal and state actors.

Despite widespread moral discomfort with Swedish arms exports, there has been “a large degree of consensus on defence industry matters since the end of the Cold War.” Among the political parties, the Social Democrats, the conservatives (Moderaterna), the Centre Party (Centerpartiet) and the Liberals (formerly Folkpartiet, now Liberalerna) have been ideologically aligned in this regard, despite some minor disagreements within the party ranks. Such pervasive consensus has effectively led to the institutionalisation of Swedish arms trade. As a Member of Parliament once observed:

Since the end of the Cold War, Sweden has basically become a militarised society. Except for the Left Party, most political parties are obsessed with weapons. Even those politicians that say they are opposed to arms trade ideologically, such as the Green Party, rationalise the need for the military system we have in Sweden.

The quotation above exemplifies what researchers on Sweden’s small-state realism have assumed for many years: Sweden’s foreign and domestic policies regarding defence and security entail a high level of elite consensus regarding these matters. The ongoing assessment of the policy-making elite is that Sweden would be politically weakened internationally if it did not develop, manufacture and export high-tech conventional weapon systems, such as fighter jets and submarines. In that sense, the policy-making elite effectively plays to two audiences: the first audience represents a popular constituency that has become accustomed to their country’s ideological ties to neutrality. The second audience consists of the more hawkish elements within the main political parties and the military-industrial complex that view Sweden’s future as intrinsically tied-up with Europe and its North American allies, and as a regional
power that needs to be strong militarily and circulate defence and security products and services both domestically and internationally.

Sweden has always been heavily reliant on exports for its defence material and other products manufactured by its large industrial base. Hence, the preferences of the defence industry are very similar to those put forward by Sweden’s industrial base. That is because defence industry, and the companies that make up Sweden’s sizeable industrial base, are not separate entities per se. Since the 1940s, industrial giants such as Volvo, Scania, SAAB, Electrolux, and Ericsson, generally associated with the manufacturing of cars, trucks, microwave ovens, and telecommunications, inter alia, have produced niche technologies and components for defence industry. Economic interdependence in this instance has thus meant that there has been a parallel impetus for market access to export Swedish-made defence material. These market incentives, however, were made possible to a much larger degree due to privatisation and internationalisation.

The privatisation of the defence industry coincided with the privatisation of many other sectors in Sweden. The government, aware of employment issues, favoured private enterprises to provide jobs to the public. For the most part, privatisation was motivated by technocratic arguments due to the perceived growth of the technological base, and the ability to depend on larger firms that can compete on the international market for systems integration. However, the privatisation of defence industry in Sweden was not only preferred by the government, but also largely a result of the preferences of defence industry elites.

Whilst the privatisation of defence industry has primarily had a positive effect on R&D, it has also led to a greater concentration of private wealth and economic power in Sweden. One family, the Wallenbergs, have benefitted enormously from defence privatisation. The Wallenberg foundation owns, or has majority shares in, some of Scandinavia’s largest and most powerful companies. Many of the Wallenberg companies produce niche technologies for defence industry, or have shares in multinational companies connected to defence industry. The Wallenberg sphere of companies (as it is referred to in Sweden) are also often mobilised to make investments in the buyer country, as part of elaborate offset programmes that accompany Swedish arms deals, commonly referred to as counter-trade. Furthermore, the Wallenberg family owns Wallenberg AI, Autonomous Systems and Software Programme (WASP). Since 2015, WASP has been Sweden’s most extensive individual research programme – a privately funded national initiative by the Knut and Alice Wallenberg Foundation. WASP currently complements government initiatives to enhance Sweden’s overall artificial intelligence security and total defence capabilities. Overall, however, WASP has the potential radically to transform, shape, and bolster Sweden’s privately-driven security economy in various ways.

In conjunction with privatisation, internationalisation has allowed for greater market access for Swedish defence products, which means that there are potentially more customers. With more customers comes increased production, as well as longer production runs. Longer production runs also involves more diversification in production, which leads to more interdependent sectors working together. Internationalisation additionally ameliorates the effects of defence budget cuts and restructuring. When an arms deal is approved with another country, it essentially ensures that workers will be able to hold
on to their employment without the fear of layoffs, which pleases strong trade unions (such as the Swedish Metalworkers’ Union, IF Metall) and the policy-making elite (especially the Social Democrats) whose primary objective has always been to maintain a high-level of employment in Sweden. In addition, longer production runs also ensures more time and flexibility to create new technologies for the defence sector due to the necessary injection of capital into the system. Owing to the nature and scale of the technology developed for advanced weapons systems, these technologies eventually benefit the larger industrial base because of so-called technology spill-overs.

Eliasson’s exhaustive study of the Swedish aerospace industry finds that the Gripen fighter aircraft programme has been rich in technology spill-overs, which occur because R&D is surrounded by cloud technology. What this basically means is that the arms industry creates abundant technology, all of which cannot be used for the Gripen aircraft. The additional technology is then made available to other firms in the industrial sector that can capitalise on this technology. “Spilled technology” requires entrepreneurs to commercialise it; and the commercialisation of spilled technology, in turn, creates industrial development and further technological innovation by other sectors.

Eliasson also systematically documents the vast network of companies connected to, and created by, the Gripen programme. He demonstrates how the Gripen programme, since its inception, became a broad-based technological driver for the national economy in Sweden because such a product is so “extremely complex and technologically advanced.” His study shows that the technology contribution of the Gripen programme to the broader industrial base in Sweden is evidenced by the provision of software engineering, systems integration, lightweight structures, and medical spin-offs, as well as the fact that it creates a technical university by providing research, education, and training to other firms. His analysis concludes that “it is difficult, probably impossible, to find another industry in the markets for public goods and services that rival military aircraft in generating spill-overs.”

Turning our attention to the private security service industry, we see similar patterns, albeit for different reasons. Swedish private security industry, just like defence industry, has traditionally been closely regulated by the state. However, this industry has also been successful in reshaping this regulatory landscape. One example of this is the revoking of the so-called “monopoly law” in the early 1990s. In 1964, a state-owned security company was created, partly because it was considered problematic (by the government) that a company contracted to protect specific objects were given access to sensitive locations and information. Thus, ABAB was formed, and a law was passed that required certain agencies to contract with ABAB for protective services at locations such as foreign embassies and defence installations. Partly because of complaints by Securitas that the monopoly law created unfair competition on the Swedish security market, the law that gave ABAB its special status was eventually revoked in 1991, and in 1992 the company was privatised.

Another salient example where more extensive commercial interests favoured the security service industry was the establishment in 2013 of a new law to allow armed guards on board Swedish-flagged ships. Due to Sweden’s dependence on trade (as discussed above), it has historically been home to a large merchant fleet. However, the number of Swedish-flagged ships has decreased, much to the concern of the Swedish government. Yet in 2011, and in the face of a growing number of pirate attacks, particularly
in the Gulf of Aden, the Ministry of Enterprise, Energy, and Communications commissioned a study to probe the legal possibilities of increasing the protection for Swedish merchant vessels using private security guards and companies. A second report discussed several issues regarding legislation and the use of force and resulted in a draft text for the proposed legislation. It was also concluded that any new legislation in this area would have to be exempt from existing weapons laws and laws covering the actions of security companies domestically. The report was distributed to several organisations for consultation, after which the Government put a bill to the Parliament in February 2013. The proposal was discussed in Parliament on 25 April 2013, and on 2 May, the proposal was passed.

Whilst the security service industry did not play a key role in the consultation processes leading up to the passing of the new law, the interests of the security industry and the government converged on this issue. It also became clear that the government’s interests converged with one shipping company. Discussing the financial consequences of the proposed legislation, a Swedish government report concluded that there were as few as 16 Swedish-flagged ships passing through high-risk areas – all belonging to the same shipping company (Wallenius Lines AB) – for which a license might be granted. In addition, the suggestion to use armed guards on board Swedish-flagged ships met with some resistance in Parliament, as well as in the consultation process. For instance, in their reply, the Transport Workers’ Federation stated, “we argue that other actions than the suggested law are needed to resolve the problem [piracy]. Arming our merchant ships with private actors most likely increases the risk of [producing] an even more negative trend of violence.” Despite this opposition, the new law entered into force on 1 July 2013.

Yet another example of converging interests between state actors and the private security industry can be found in recent moves towards increasing co-operation between the Swedish Armed Forces and civilian employers. As mentioned previously, the temporary (2010–2017) transition from a conscripted force to an AVF meant that the Armed Forces were forced to compete for staff in an open labour market; and thus, to work more actively with recruitment and retention across the board. As part of constructing itself as a more attractive employer, the Armed Forces have promoted not only military careers, but also different ways in which military expertise is transferable to a civilian labour market. One example of this is the partnership agreement in 2013 with a private company, then called Military Work (now MW Group), to help with part-time serving military staff and transitioning from military to civilian careers. Another example more clearly linked to the security service industry is the 2016 “Letter of Intent” (LoI) between the Armed Forces and Scandinavian Risk Solutions (SRS). According to the Armed Force’s website, the LoI is part of its efforts to create career opportunities for Armed Forces personnel, particularly for staff on part-time contracts. According to SRS CEO Ilya Treutiger, the agreement is a “formalisation and acknowledgement of the mutually positive dialogue that SRS has had with the Swedish Armed Forces since its start in 2004.” In 2017, a similar agreement was reached between the Armed Forces and Vesper Group, an “intelligence-led security company” providing services in high-risk areas promoting experience from “special military units, the Security Service (Säpo), Swedish Police, intelligence, and the National Police Task Force.” Again, there is apparent convergence of interest around recruitment,
expertise and building attractive employer brands amongst the private security industry, the Swedish Armed Forces, and other state security actors.

Finally, the recent efforts to develop the Swedish total defence concept have widened and deepened “business-military relations,” and collaboration across organisational and sectoral boundaries. In the process, several companies and business organisations are positioning themselves as part of the more significant effort to rebuild societal resilience and defence capabilities. For instance, Defense Innovation Sweden (SOFF), a business organisation for companies in the defence and security industries, refers explicitly to total defence as an “emerging ‘new’ security market” where public-private relations and partnerships are seen as vital parts of Swedish defence and crisis management efforts. In a similar vein, the CEO of MW Group, a Nordic defence and security service provider, states that “Our company was founded to support our total defence operational capabilities, which is important for the protection of our right to live as we choose.”

The abovementioned aspects show how societal and state actors have put forward their interest-driven preferences vis-à-vis the security economy and for what purpose. It is clear from these examples that these interests are not necessarily narrow and that they manifest in quite different ways and for various purposes. However, they do share similarities, and they often overlap regarding marketisation and security outsourcing. The following section aims to highlight the state’s role in upholding and shaping Sweden’s security economy, and why the state continues to be an important actor in this arena. We are particularly interested in showing the vital role the state has played in both the defence industry, and the private security industry, through regulatory practices, and by acting as an agenda setter and intermediary.

The role of the state in Sweden’s security economy

It was illustrated earlier that several private companies that manufacture products for civilian use also manufacture key components used in weapons production in Sweden. Yet despite this being the case, two aspects distinguish defence material from other products. First, because conventional weapons are used for war, it has a high degree of state control and regulation. Second, the state is often the primary customer and buyer of defence products, which results in a monopoly market. That is to say, the demand side still heavily relies on the preferences of a single customer (the state). This is particularly true for the Gripen fighter aircraft, where the state has been the primary customer since the commencement of the Gripen programme in the 1980s, despite successful exports contracts to South Africa, Thailand, and Brazil, and product lease agreements with Hungary and the Czech Republic.

Not only has the state influenced product development in both type and volume, but it has also controlled exports and industry’s structure. Moreover, due to the growth and concentration of power of international arms industries, the state has protected national firms from foreign competition despite the rate of privatisation and internationalisation discussed in the previous section. The indigenous market in Sweden is consequently autarkic to a large degree, especially in the case of Sweden’s largest arms producer, SAAB, which has maintained more than fifty per cent ownership and preserved domestic manufacturing of products such as the Gripen.
In addition to protecting domestic firms from foreign competition to some degree, the state needs to create market access for defence products. It does so by being a consumer of the produced goods; creating a market for goods (as described above), and by being a marketing agent for the defence industry. Eliasson\(^97\) contends that without the state as a customer and market creator, there would be no arms industry in Sweden, and the goods would not be supplied as needed. Moreover, if the state fails to do so, it risks losing an essential source of power and legitimacy. After all, the state is accountable to particularistic societal actors. As O’Connor importantly observed, “the state must try to maintain or create the conditions in which profitable capital accumulation is possible […] the state that ignores the necessity of assisting the process of capital accumulation risks drying up the source of its power, the economy’s surplus production capacity and the taxes drawn from this surplus.”\(^98\)

In the mid-1990s, the Swedish government proposed increased support and marketing for defence industry products. The 1996 *Bill on the Renewal of Swedish Defence* specifically instructed government officials and agencies to support the export of Swedish arms.\(^99\) Davis explains how the government implemented this policy:

First, a group for defence industry matters and exports of military equipment was formed at the state secretary level […] to promote exports of military equipment to approved countries. Second, an ambassador was appointed within the Ministry of Trade (Handelsdepartementet) as a ‘marketing supremo’ for major systems such as the Gripen and submarines […]. Third, although Swedish embassies were explicitly told not to play a marketing role in the past, following the appointment of the marketing supremo, they have now been asked to play a support role and, more specifically, have been told to go out and find partners for Swedish Projects.\(^100\)

The policy above has been actively and diligently followed by the government and Swedish authorities (with the occasional assistance from the Royal Family)\(^101\) ever since its inception. Unsurprisingly, the Swedish government’s behaviour in this regard mirrors a trend followed by the world’s major weapons supplying states.\(^102\)

Regarding procurement processes, one should also consider that despite being private, defence firms such as SAAB do not have *carte blanche* to enter into co-operative agreements unilaterally. Notwithstanding the agency afforded to firms because of internationalisation and privatisation, such processes are subject to government oversight.\(^103\) That is why there are permanent and close collaborations between the state and the defence industry concerning weapons exports. But since the state relies heavily on defence industry to provide arms for national defence, jobs, and new technologies, it provides it with a certain measure of economic security.\(^104\) The government does this because it is vested in “preserving the indigenous industrial base due to national interests.”\(^105\) However, these “national interests” are based not only on necessity, but also on willingness. As Moravcsik notes, what states want is what they do.\(^106\) Put differently, “the state supports arms manufacturing and exports because it can and wants to, not because it has to.”\(^107\) Evidence of this rationale can be found at the highest level of the present and previous Swedish administrations.\(^108\)

It is clear from the above that the state has had a stake in the operations of defence industry. The precise nature of the stake the state has had in defence industry has driven the policy of increased co-operation. This does not mean that the state is merely driving its interests whilst being oblivious to others; quite the contrary. An
essential means of state support for defence industry’s operations, transformation, and continued development, is through the assistance provided by government agencies such as the Swedish Defence Research Agency (FOI), the Inspectorate of Strategic Products (ISP), the Swedish Defence Materiel Administration (FMV), the Export Credit Guarantee Ordinance (EKN), the Swedish Export Credit Agency (SEK), and the Swedish Trade Council [Business Sweden].

The task of these government agencies is to carry out the government’s instructions regarding wide-ranging matters related to defence and security. To that end, government agencies act based on the “Instrument of Government” as stipulated in chapter 1, §9 of the Swedish Constitution. We contend, however, that these and other government agencies have played, and continue to play, a crucial role in administering domestic and international interdependence between different groups, mainly to uphold, transform, strengthen, and ultimately expand Sweden’s security economy. The state legitimises these government agencies since they ameliorate the risks surrounding investments in Sweden’s security economy. They also act as crucial focal points for resolving the broader security industry struggles by firms and other state departments. The increased globalised nature of Sweden’s security sector reform needs these agencies to protect economic interests and “smooth” the processes of new business ventures connected to the security economy.

Concerning private security industry, the state retains its role as regulator – at least in terms of the domestic part of this industry. However, as we have seen above, the state has also acted as a facilitator through regulation and changes in regulation, opening new markets (Swedish defence installations, foreign embassies in Sweden, and maritime security), thus enabling the security economy to develop. In addition, and although the Swedish market for private security services in high-risk or conflict areas is still limited, the Swedish state – and in particular the MFA – has shaped the industry in its role as a consumer. Since 2008, private security companies’ direct and indirect contracts to deliver services, such as armed diplomatic protection, convoy escorts, and intelligence gathering and processing in countries such as Afghanistan, Iraq, and Somalia, have grown slowly but steadily. In these cases, the government created market access for both Swedish, and foreign companies in new areas and created new security practices where commercial actors play a crucial role in securing the Swedish state.

This move towards security outsourcing has often been described in terms of necessity. If it were not for private security providers, certain Swedish government activities (diplomacy, development, etc.) would not be possible. The latter is an interesting trade-off, where the only (perceived) solution to security concerns involves contracting for services the state cannot produce for itself. Through this practice, security outsourcing becomes a key component of Swedish foreign policy practices in certain parts of the world. Domestically, the state and public bodies continue to rely heavily on private security companies for the protection of critical infrastructure such as airports and ports, government departments and military installations, as well as for patrolling inner cities and, recently as a key component in strategies to fight organised crime. Again, this signals a trade-off between the need for security provision and the state’s resources; securing Swedish society is a public undertaking, but relies heavily on commercial security actors.
Conclusions

This article has endeavoured to understand the forces that shape Sweden’s security economy. We have focused on two industries that make up central parts of this economy: defence and private security industries. While they are different in size and specialisation, they also overlap in their fundamental function, which is to sell security in different shapes and forms. As we have shown, there are also many overlaps in how these two industries function as part of the wider security economy and how they, as societal actors, relate to state actors. Thus, our idea of bringing these industries together to understand better the organisation and logic of the Swedish security economy was fruitful and pointed to several relevant questions for further research.

Above, we argued that the development of the Swedish security economy is partly a result of changing strategic conditions after the end of the Cold War, which led to significant changes in defence and security policies, and greater international economic and security interdependence. In this context, we showed that defence and security transformation in Sweden during this period was substantial, and to a significant degree by marketisation and outsourcing. From an economic perspective, certain societal actors and the state has favoured defence industry internationalisation because it opens up the possibilities for transnational industrial participation, greater market access, increased competence, sustained employment, reduced costs, and the posited economic growth that comes from trade and co-operation. In addition, private defence and (to a lesser degree) security actors became increasingly part of shaping and upholding Swedish foreign and security policies. At the same time, the Swedish state has played an essential role in creating and maintaining markets for defence and security companies.

Our analysis shows that interests are often interconnected and frequently overlapping. While it is unsurprising to find that the self-interests of societal and state actors in the Swedish security economy often converge in the epistemic communities of elites in this economy, it is also clear from our analysis that there are significant differences and nuances in how these interests are expressed and acted upon, both between different state actors and between defence and security companies. Nevertheless, despite these differences, the configuration of these interests helps explain foreign policy and security behaviour. In other words, under conditions of mutual gain, interests converge even though the motives are mixed.

Finally, as this article has shown, the state’s role in the security economy comes in many shapes and forms. The state shapes the nature of the security economy by regulating actors and through its role as a consumer. The state balances the general interests in national defence/security and market responsibility with the more particular interests of the private security/defence industry that profit from marketisation and security outsourcing.

Taken together, this article has shown how the workings of the Swedish security economy can be better understood. However, as the article is not the result of a joint research project or data collection process, there are significant conceptual and methodological shortcomings. Future research needs to centre on a more stringent and coherent research design to develop our understanding of Sweden’s security economy, where data on the defence and security industries can be more systematically
collected, organised, and analysed. To that end, more work is needed to show how concepts intersect and overlap, and how they can be more clearly operationalised in empirical research.

Notes

3. Ibid.
5. The long historical tradition of military non-alignment was effectively broken in May of 2022, when the Swedish government and Finland deemed it necessary to apply for NATO membership following Russia’s invasion of Ukraine earlier that year.
31. Ibid.
38. In 2016, a government report suggested that Sweden should introduce a mixed volunteer/conscript model similar to Norway’s (SOU 2016: 63). The decision to re-instate conscription was subsequently taken on 2 March 2017 (Swedish Government Decision, Fö2016/01252/MFI).


41. Thilander, *Personalarbete och HR-transformation*

42. Swedish Government Decision, Fö2011/613/MFU.


49. Personal interview, August 2010.


52. Ibid.


55. In 2014, G4S Sweden was bought by Sector Alarm, and in May 2016, the company changed its name to Avarn Security.


60. See also Hansen Löfstrand, ‘The Everyday Reality of Private Security Work in Sweden.’

61. Personal interview, April 2016.


64. Personal interview, May 2016.


68. Approximately fifty per cent of Sweden’s GDP has traditionally been based on exports according to Business Sweden. Personal communication, January 2022.

69. Ibid., See also af Malmborg, op. cit.


71. Personal interview, January 2015.


74. For a detailed discussion on defence industry elite preferences see W.S. Coetzee, Ideals and Interests in Swedish Foreign Policy: Explaining the South African Gripen Deal (Gothenburg: University of Gothenburg, 2018).


76. N. Resare, Mutor, makt och bistånd: Jas och Sydafrikaaffären (Stockholm: Natur & Kultur, 2010); See also Stenlås, Technology, National Identity and the State.


80. Eliasson, Advanced Public Procurement.

81. Personal interview, June 2014.

82. Eliasson, Advanced Public Procurement, p. 3.

83. Ibid., 36.


85. Munck and others, Ordningsvakt och väktare, 18ff; Government proposition 1990/91:102.


89. Swedish Department of Enterprise, Ds 2012:15 Bevakning ombord på svenska fartyg.

90. Transport Workers’ Federation, August 2012.

93. Defense Innovation Sweden (SOFF) website: https://soff.se/vara-fragor/totalforsvar/
94. MW Group website: https://mwgroup.se/about/serving-a-strong-society/
95. Several other states (Malaysia, India, Botswana, Colombia, and Philippines) have also expressed interest in possible future acquisition deals.
97. Eliasson, Advanced Public Procurement.
99. Government Defence Bill 1996/97:
103. Dunne and Sköns, ‘Economics of Arms Production’.
104. Personal interview, April 2016.
105. Personal interview, May 2016.
108. Coetzee, Ideas and Interests in Swedish Foreign Policy.
109. In 2013, following a merger with the government agency Invest Sweden, the Swedish Trade Council became known as Business Sweden.
110. SFS nr: 1974: 152.

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