

Defence Industry Strategy for a stronger Sweden

innovation, production and cooperation



Government Offices of Sweden
Ministry of Defence

Sailor from the corvette HMS Nyköping
(K34) signals to HMS Carlskrona (P04)
prior to refueling at sea.
Photo: Antonia Sehlstedt/Swedish Armed Forces

Cover (production of submarine A26).
Photo: Glenn Pettersson/Saab AB

Production
Regeringskansliet 2025

Print
Elanders Sverige AB



Contents

Foreword	5
Introduction	7
Innovation	15
Production	21
Cooperation	27
Implementation and follow-up	35



Foreword



Pål Jonson
Minister for Defence

We are in the most serious security situation since the Second World War. Russia's war of aggression against Ukraine continues indiscriminately, and there is no indication that its ambition to dominate its neighbours has diminished. We must therefore continue our rearmament together with our Allies in NATO and the EU.

Increasing the operational capability of the armed forces is our foremost task. The defence industry plays a central role in this. Deterrence and defence capability become credible with an enduring and robust supply capacity.

Sweden has one of the world's leading defence industries. No other country with a population of 10 million can develop and produce advanced combat aircraft, submarines, combat vehicles, artillery systems and sensors. However, to be able to meet the demands of the wars and conflicts of today and tomorrow, its innovative capacity needs to be strengthened, its production capacity increased and cooperation between the State and business sector intensified.

Rearmament must accelerate. For this reason, the defence industry in Sweden needs to grow and continue to develop its innovative edge and competitiveness. Wars in Ukraine and other parts of the world have demonstrated that a strong and innovative defence industry is essential for the ability to meet and defeat a quantitatively superior enemy. More businesses and actors are needed in order to satisfy the needs of the armed forces and to keep costs down.

The Government is therefore publishing a Defence Industry Strategy for the first time so as to focus on swifter innovation, increased production and better cooperation with industry on the basis of the National Security Strategy.

This Defence Industry Strategy represents a new approach to the defence industry that emphasises its capacity to deliver and maintain qualified defence materiel and its role as a security policy instrument.

The Government and Riksdag will continue to invest heavily in defence materiel and services for the foreseeable future. By being a competent and demanding customer and partner, the State helps to provide good conditions for the defence industry's development and adaptation to a world increasingly riddled by conflict.

In turn, the Government and Riksdag expect defence companies to satisfy the capability needs of the armed forces through increased production capacity and shorter delivery times, and to keep costs down. This requires investment in innovation, production and development.

Through the measures in this Strategy, the Government aims to enhance incentives and structures for private and public investments in the expertise, technology and infrastructure that are needed for the military defence, to supply Allies and partners with qualified defence materiel and for Sweden's role as an internationally leading defence industrial nation.

Portrait photo of Pål Jonson.

Photo: Kristian Pohl AB/Regeringskansliet

Gripen E.

Photo: Saab AB



Introduction

International security continues to deteriorate. Russia's full-scale invasion of Ukraine in February 2022 has claimed more than one million casualties. Russia is and will remain a serious threat to the security of Sweden and Europe for the foreseeable future.

Since 2022, the Government has faced three major defence policy tasks. The first is integrating Sweden into NATO, which represents the most fundamental security policy change for Sweden in 200 years. The second is carrying out Sweden's greatest rearmament since the end of the Second World War. The third is supporting Ukraine for as long as necessary in its defence against Russia's war of aggression.

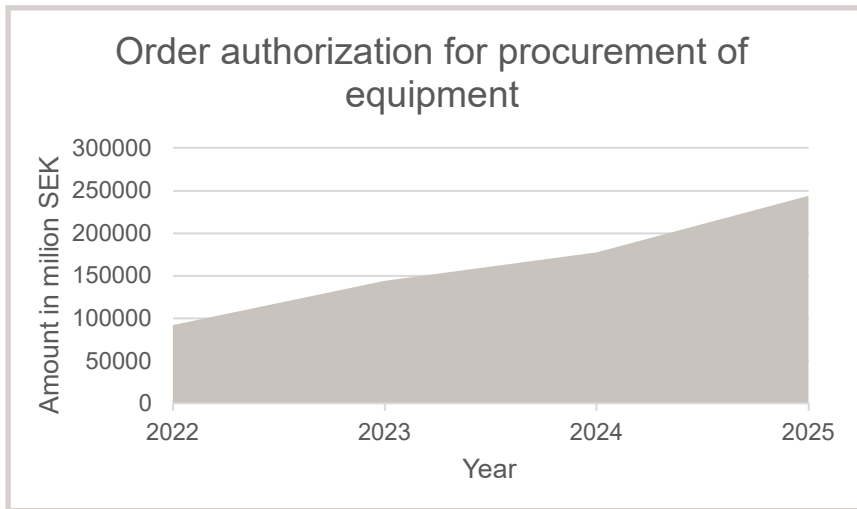
As a NATO Ally, Sweden is significantly more secure than on its own. Sweden also makes the Alliance stronger. The ability to plan, prepare and exercise jointly with 31 Allies for the defence of NATO territory is an immense strength. Only a year after acceding to NATO, Sweden is providing troops to the Forward Land Forces (FLF) in Latvia and has assumed the framework nation role of the FLF in Finland. Sweden has made naval vessels and combat aircraft available to the Alliance for operations in the Baltic Sea and for the protection of NATO's eastern border. For neighbours and Allies, Sweden is now a cornerstone of the defence of northern Europe.

Since Russia's full-scale invasion of Ukraine, Europe has initiated a comprehensive rearmament with major investments in defence. Since 2022, the EU has intensified its security and defence policy cooperation with the aim of strengthening the European defence industrial base and Member States' defence capability. A strong defence industry is a prerequisite for Europe's ability to assume greater responsibility for its own security and defence. Within NATO, similar work is in progress to strengthen the transatlantic defence industrial base. These processes are mutually reinforcing.

Sweden is also making historic national investments in its own defence. The focus is on the combat readiness of the armed forces. The armed forces are key to Swedish defence capability and must be equipped, staffed and trained in joint exercises. Sweden's defence budget has doubled since 2022 and currently totals SEK 148 billion for 2025. Investments in defence materiel are a major part of this investment. The Riksdag has increased the framework for funding that can be allocated for materiel procurements from SEK 92 billion in 2022 to SEK 272 billion in 2025. During the same period, the appropriation for procurement of materiel and equipment has increased from SEK 27.5 billion to SEK 60.5 billion. These increased financial frameworks have resulted in procurements of large quantities of ammunition and missiles, artillery, battle tanks and combat vehicles.

The submarine HMS Gotland is washed before being slid into the hull hall

Photo: Glenn Pettersson/Saab AB



The order authorization for equipment procurement has increased from SEK 92 billion in 2022 to SEK 272 billion in 2025.

The seriousness of the prevailing security situation calls for additional major investments in defence. To quickly enhance military capability, the Government has presented proposals to the Riksdag to enable orders totalling SEK 25 billion for opportune purchases of new defence materiel in 2025, with delivery taking place in 2026–2028.

Wars in Ukraine and other parts of the world are proof of the need to enhance preparedness for a large-scale conflict. In those wars, ammunition and materiel consumption is immense and the pace of innovation is high. The lesson is that a strong and innovative defence industry is essential to the ability to meet and defeat a quantitatively superior enemy. Ahead of and during war, the ability to develop, produce, maintain and adapt defence materiel in large volumes and using new technologies is fundamental to deterrence and defence.

Since Russia's full-scale invasion of Ukraine, Sweden has remained steadfast in its support of Ukraine. Sweden has worked at national level and jointly with NATO Allies and EU Member States to provide Ukraine with necessary military materiel and support to strengthen its capability to withstand Russia's aggression.

The defence industry plays a key role in Sweden's rearmament and in providing support to Ukraine. The Government is therefore publishing a Defence Industry Strategy for the first time so as to focus on swifter innovation, increased production and better cooperation with industry on the basis of the National Security Strategy. This Strategy represents a new approach to defence industry that emphasises its capacity to deliver and maintain qualified defence materiel regardless of conflict level and its role as a security policy instrument.

The defence industry in Sweden

Sweden has a strong and innovative business sector and a competitive defence industry. Swedish defence companies are privately owned and export-oriented. Cutting-edge expertise, world-leading products and cost-effectiveness are their competitive advantages.

The defence industry has been built up over a long time on the basis of defence and security policy considerations. The State and business sector have collaborated effectively to create a strong capacity for

innovation and technological development. This has resulted in some of the world's best and most advanced products and weapons systems – from submarines, artillery and combat vehicles to advanced sensors, missiles and combat aircraft. The Swedish defence industry is a key component in the defence of Sweden, Europe and our Allies and partners, and helps provide jobs and income from exports.

The Swedish defence industry includes several internationally prominent suppliers. Large defence companies account for roughly one fifth of the Swedish defence industrial base, with the remainder being small or medium-sized. Several companies are foreign-owned and have operations in a number of countries.

The Swedish defence industry is developing rapidly. The 25 largest defence companies employ around 22 000 people and account for roughly 90 per cent of Swedish defence exports. From 2015 to 2023, war materiel sales increased from approximately SEK 17 billion to approximately SEK 30 billion. In total, the 25 largest defence industry companies reported approximately SEK 75 billion in turnover in 2023. Over a ten-year period, net turnover has doubled, and turnover per employee has increased from SEK 2.1 million to SEK 3.3 million.

The defence industry is not a clearly defined sector with precise boundaries. A large proportion of Swedish technology companies develop dual-use products for both civilian and military applications. Approximately 500 companies with some 160 000 employees supply the Swedish Defence Materiel Administration (FMV), are members of the Swedish Security & Defence Industry Association (SOFF) and conduct activities under the supervision of the Inspectorate of Strategic Products (ISP). Not all of those companies are necessarily considered part of the defence industry, but their contribution to Sweden's security with their activities and expertise is equally important.

The role of the defence industry in security policy

The ongoing rearmament and the enormous amount of defence materiel provided to Ukraine are only made possible by a strong defence industry. No other country with a population of 10 million has the capability to develop and produce defence materiel in all domains – from submarines and combat vehicles to advanced sensors, missiles and combat aircraft.

By investing heavily in research, development and advanced production, the defence industry contributes not only to defending Sweden, but also to its standing as a high-tech industrial nation. This makes Sweden an attractive cooperation partner and helps to strengthen our security relations within the EU and NATO, as well as with other countries. The ability to be an attractive cooperation partner on defence technology and materiel therefore depends heavily on a qualified domestic defence industry.

The role of the Swedish defence industry in security policy was established during the Cold War. As one of the most research- and innovation-intensive industries in the world, the Swedish defence industry played a key role in Sweden's international security policy contacts.

Sweden's international defence cooperation is now even more extensive. Swedish government agencies and businesses participate regularly in numerous multilateral forums and bilateral forms of cooperation. Sweden plays a strong role within NATO and the EU, as it belongs to a small group of European countries that can develop and produce advanced defence materiel. Since 2000, Sweden has been part of the 'six nations cooperation' between the countries with the six largest defence industries in Europe: France, Germany, Italy, Spain, Sweden and the United Kingdom.

In bilateral relations with our most important security cooperation partners, defence materiel initiatives are a key element, without which Sweden's position would not be as strong. The value of Sweden's defence industry for its international security policy position is therefore considerable and has been reinforced since Russia launched its full-scale invasion of Ukraine.

Priorities

During the defence resolution period ending in 2030, the Riksdag and the Government are making historic investments to strengthen and advance Sweden's total defence. A major share of the investments is going towards defence materiel, research and technological development. The current security situation demands rapid rearmament, and priorities must reflect the urgency of rearmament. Materiel will be procured based on suppliers' ability to deliver. In certain cases, short-term needs will have to be prioritised over what is best for the long term. Increasing the operational capability of the armed forces and meeting NATO capability targets are the military defence's unifying and foremost task. The defence industry's capacity contributes to achieving this. Deterrence and defence capability are only credible with an enduring and robust supply capacity. For this reason, the defence industry in Sweden needs to grow and continue to develop its innovative edge and competitiveness. Many businesses and actors are needed to satisfy the defence's need of rapid innovation and increased production at reasonable costs, with the ability to successfully deliver qualified defence materiel to Allies and partners. In doing so, Sweden also contributes to strengthening the military industrial base of Europe and NATO.

The aim of this Strategy is an innovative and competitive defence industry with a high production capacity. In the Defence Industry Strategy, the Government identifies measures to strengthen and develop Sweden's defence industrial base. Through those measures, the Government aims to improve incentives and structures for private and public investment in the expertise, technology and materiel that are needed for the military defence, to supply Allies and partners with qualified defence materiel and for Sweden's role as an internationally leading defence industrial nation. The Defence Industry Strategy will lead to a stronger Sweden through development in three areas:

- innovation
- production
- cooperation.

In the Budget Bill for 2026, the Government will present proposals to the Riksdag for areas in which identified measures require amended financial frameworks.



Innovation



Production



Cooperation

Challenges

The defence industry in Sweden is competitive and high-tech, but to be able to meet the demands of the wars and conflicts of today and tomorrow, its innovative capacity needs to be strengthened, its production capacity increased and cooperation between the State and the business sector intensified.

Strengthening innovative capacity requires:

- forms for rapid and effective testing and development of new solutions to satisfy the war organisation's needs;
- greater expertise in key technological areas;
- better accessibility to the defence market for small and medium-sized enterprises; and
- quicker and simpler procurement.

Increasing production requires:

- adjusted acquisition patterns, adapted risk diversification and developed incentive structures;
- more automation and modern production technology;
- simplification of rules and permit processes; and
- greater knowledge about and insight into supply chains.

Intensifying cooperation between the State and business sector requires:

- closer dialogue between the State and businesses;
- greater transparency in the planning of defence material investments;
- more effective utilisation of international cooperation; and
- enhanced support for defence exports.

Combat vehicle 90 during the UN operation in Liberia.

Photo: Therese Timpson/Swedish Armed Forces





Carl Gustaf 84 mm recoilless rifle M4

Photo: Saab AB

Expectations

The defence market is characterised by states as end customers and with government supervision and granting of permits for production and exports. Defence companies thus operate under unique conditions. The State will continue to invest heavily in materiel and services for the foreseeable future. By being a competent and demanding customer, legislator and partner, the State helps to provide good conditions for the defence industry's development and adaptation to a world increasingly riddled by conflict.

For its part, the Government expects defence companies to:

- satisfy the capability needs of the armed forces;
- increase production capacity and shorten delivery times;
- invest in innovation, research and development;
- break the cost curve;
- offer options and competition;
- collaborate so that larger prime contractors help small and medium-sized enterprises and non-traditional defence suppliers to take part in development;
- respond to changing requirements and market opportunities;
- take part in international cooperation and exports;
- assume a reasonable level of financial risk;
- maintain the highest level of business ethics; and
- secure supply chains and protect technology.

Sweden is one of the world's most innovative countries with industrial companies that offer world-leading technologies.



Innovation

Defence innovation is a strategic capability. Today's warfare is characterised by rapid development and situational adaptation of technologies, wherein capabilities such as civilian unmanned systems and artificial intelligence are being integrated into existing military capabilities.

Experiences and lessons from the war in Ukraine in particular and other conflicts around the world must be harnessed quickly and systematically shared between government agencies and industry. When our opponents increase their innovative capacity, we must do the same.

Sweden has the ability to develop and produce advanced systems such as combat aircraft, submarines, sensors and combat vehicles. At the same time, the civilian sector provides cutting-edge technology in several important areas. To enable rapid and innovative application of new technologies for defence purposes, collaboration between the entire industrial base and the defence sector must be enhanced, and more innovative companies need to be attracted to the defence market.

Sweden is one of the world's most innovative countries with industrial companies that offer world-leading technologies. The defence industry is thus well-positioned to quickly apply and innovate new and proven technologies to satisfy the defence's needs. In the meantime, measures are needed to significantly shorten the time from when a military need is identified until a solution reaches the war organisation.

Measures

Establish a function for defence innovation

A cross-agency function for defence innovation is being established in the form of a permanent collaborative group comprising the Swedish Armed Forces, the Swedish Defence Materiel Administration, the Swedish Governmental Agency for Innovation Systems and the Swedish Defence Research Agency. This function will support innovation and adaptation in a changing threat environment by means of development and application of available technologies. The aim is to be able to quickly communicate military problems and knowledge about the operational environment to the business sector by working closely with branches of the armed forces and the war organisation. Through technological studies, demonstrator models and materiel development mandates, it should be possible to quickly identify, test, develop and deploy technological solutions.

To ensure that the function becomes a powerful tool the following measures are required:

- The materiel development programme of the Swedish Armed Forces needs to be enhanced.
- Collaboration between the four aforementioned government agencies should be monitored by the defence innovation council.
- Cooperation with equivalent organisations in the United States and other leading defence innovation countries should be developed and intensified.

Strengthen the materiel development programme

An effective defence innovation system requires a quick path from innovation to development and subsequent production. In order for the cross-agency function for defence innovation to effectively satisfy the war organisation's needs, the Swedish Armed Forces materiel development programme should be strengthened substantially.

Develop new forms of innovation procurement

Detailed requirement specifications and complicated procurement processes make it difficult for many companies to enter the defence market. The Swedish Defence Materiel Administration plays a central role in promoting innovation in the Swedish defence market. For this reason, it has been tasked by the Government to swiftly adapt, simplify and develop innovation-promoting procurement processes. This will lead to a broader defence industrial bases that also included non-traditional defence industries and small and medium-sized enterprises.

Facilitate prototype testing and demonstration

Testing and demonstration are required for an innovation to result in the production of defence materiel. To facilitate technological development for small and medium-sized enterprises in particular, possibilities of testing new solutions and demonstrating prototypes should be expanded. For this reason, the Swedish Armed Forces, the Swedish Defence Materiel Administration and the Swedish Defence Research Agency have been tasked with collaborating with the RISE Research Institutes of Sweden to identify and analyse possibilities for increased collaboration on technological infrastructure.

Develop the Swedish Defence Research Agency's role in the defence innovation system

The Swedish Defence Research Agency is a key actor in Swedish and European defence research. Its mandate has been expanded to include analysis of emerging and revolutionary technologies for the benefit of defence and security. To enhance its role in the defence innovation system, the Agency has appointed a defence innovation director. It is also developing capability to implement technology and knowledge in military applications in order to support the Swedish Armed Forces with rapid capability development and adaptation at all levels of conflict. Within the framework of its activities, the Agency is also responsible for enhancing collaboration with the business sector.

Within the framework of funds appropriated in the budget for 2025, the Agency receives SEK 30 million to carry out its new task of fostering rapid capability development

Strengthen civilian-military synergies in research and innovation

In early 2023, the Government established a civilian-military innovation programme to harness civilian-military synergies and identify military applications of groundbreaking technologies. The innovation programme grants support to civilian small enterprises to develop innovative products and services that can solve defence-related challenges through increased collaboration within and between the business sector and government agencies. The purpose is to strengthen Sweden's security and national defence capability and boost competitiveness in the defence industry. Starting in 2025, funding for the civilian-military innovation programme has doubled from SEK 60 million to SEK 120 million per year.

To accommodate societal changes in the coming decades, Vinnova has identified the following technological fields as strategically important in its report 'Strategic technologies for Sweden – a basis for national priorities' (ref. no 2024-01501):

- artificial intelligence and autonomous systems,
- advanced digital technologies, including advanced connectivity,
- quantum technology,
- energy technologies,
- material and production technologies, and
- biotechnology.

The identified technological fields have both civilian and military applications. The civilian-military innovation programme is an important tool for utilising technological development for military capability development. In its research and innovation policy bill (Government bill 2024/25:60), the Government presented its plan to invest SEK 1.2 billion annually in excellence clusters for groundbreaking technologies, starting in 2028. This investment will target research in emerging technologies, innovation and application. The aim is to develop future technological fields and those that can strengthen the Swedish business sector and ultimately Sweden's competitiveness. The Government will continue to strengthen synergies and the advantages of collaboration between civilian and military research, innovation and technological development.

Establish a space programme for total defence

Space is a strategic and operational domain. Access to space services and the capability to maintain them over time are a necessary part of total defence. The Government's defence and security strategy for space adopted on 4 July 2024 states that Sweden will work to maintain a balanced space portfolio of capabilities, services and capacity so as to ensure access to space services and data within total defence and crisis

preparedness. The strategy also stresses that a competitive defence and space industry is essential to ensuring access to future space services and data. The Swedish space value chain and Esrange space station with orbital-launch capability are strategic resources. The Government is undertaking a number of measures to build up national space capability for Sweden's total defence and to remain a competitive space nation.

- A coordinated space programme for total defence was established to develop and mobilise scientific, technological, military and industrial capacity in the field of space to support total defence and crisis preparedness as part of the space portfolio.
- The Government has allocated SEK 1 billion to the Swedish Armed forces for the period 2024–2032 to develop space capabilities for reconnaissance and surveillance, to improve space situational awareness and expand infrastructure at Esrange to be able to launch satellites.
- In accordance with the strategic objectives of the research policy bill (Government bill 2024/25:60), the Government has tasked the Swedish National Space Agency with establishing a programme for research and development of dual-use advanced space technologies.

Promote utilisation of international research and innovation programmes

International programmes such as the European Defence Fund, the European Defence Agency, the Hub for EU Defence Innovation and the Defence Innovation Accelerator for the North Atlantic provide opportunities for cooperation on technological development and innovation within the EU and NATO. As one of the world's leading innovation nations, Sweden contributes to the EU's and NATO's development in important technology areas. Swedish businesses and defence agencies will benefit from the development environments and cooperation opportunities under these cooperation programmes. The Government will work to ensure that Swedish businesses can benefit from European and international programmes in development areas that are prioritised for capability development.

Secure the skills supply

Good skills supply is fundamental to Sweden's defence innovation. However, key expertise in roles such as system developer and engineer is lacking within the defence sector. Through its science, technology, engineering and mathematics (STEM) strategy, the Government has established goals to strengthen Sweden's expertise in those fields. The Government also intends to review the conditions for training more technical officers. For skills supply of defence companies, popular support and knowledge about the defence sector are also important. Starting in the autumn semester of 2025, the social studies curriculum for the first year of upper secondary school will cover total defence, international law and NATO's role.



Cyber platoon.

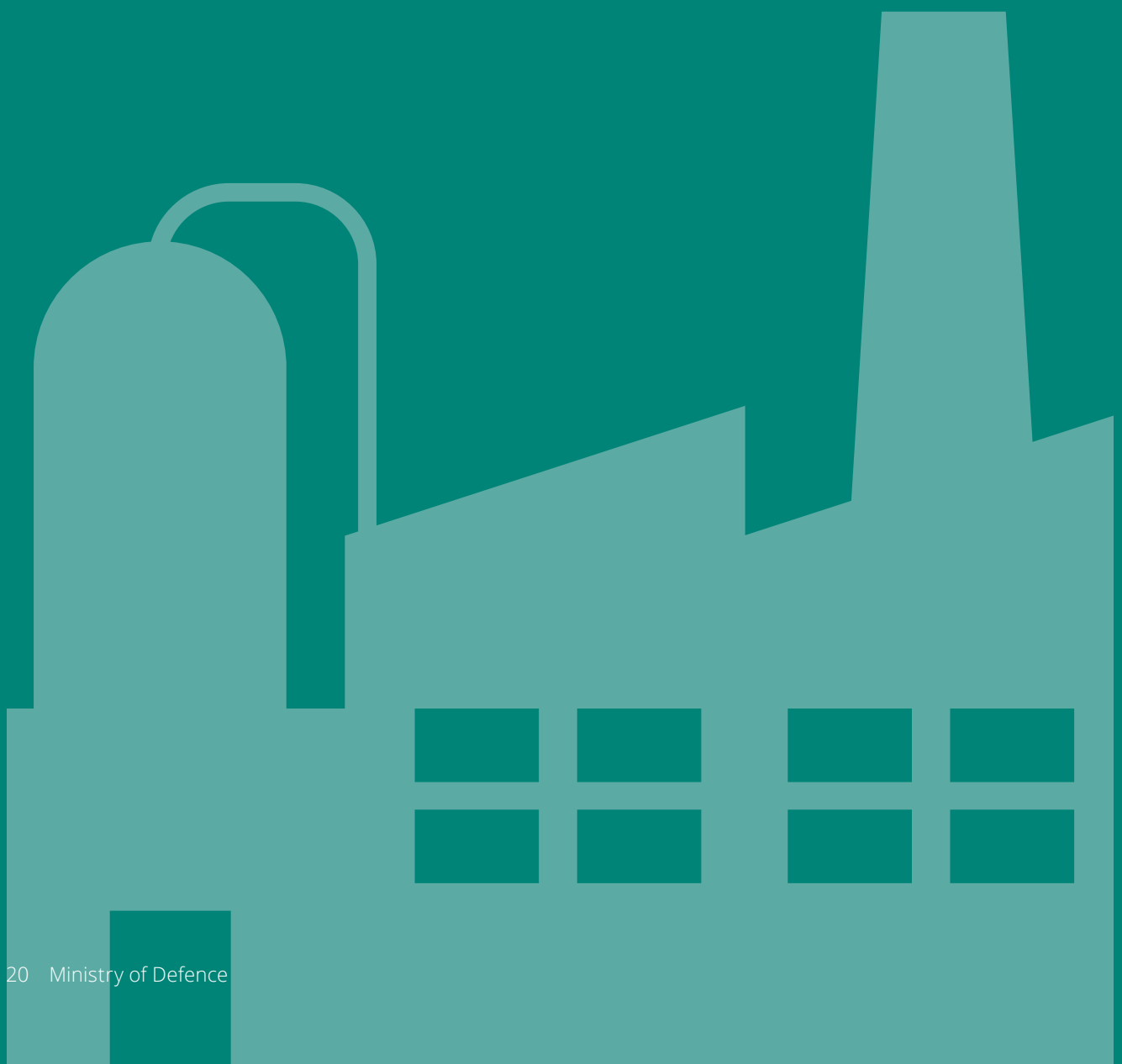
Photo: Joel Thungren/Swedish Armed Forces

Improve protection of technology

Innovation, research and technology must be promoted and advanced, but also protected when necessary by taking proportional and precise measures. Protection of military technology and certain dual-use technologies is essential to our national security and our credibility as a cooperation partner in the area of defence. Undesired technology dissemination also has consequences for Swedish companies' access to technology and market access. For this reason, a national strategic framework was developed in accordance with the national security strategy in order to protect technology from unlawful or undesired dissemination. This framework includes measures such as control of exports, investigation of foreign direct investment and strategic, effective management of intellectual property and trade secrets. To further enhance the protection of technologies in the area of defence, Sweden needs to further its efforts to identify technological areas, products and activities that are worthy of protection.

- To better identify, catalogue and analyse technologies that are worthy of protection from a national security perspective, the Government is taking measures to bolster expertise at the Swedish Armed Forces, the Swedish Defence Materiel Administration and the Swedish Defence Research Agency.
- Within the framework of security and defence policy research and analysis at the Swedish Defence Research Agency, SEK 4 million has been allocated to develop expertise on geoeconomic and geopolitical trends that impact Sweden's freedom of action in its defence and security policy.

To increase production capacity and the pace of rearmament of the military defence, more businesses – large and small – are needed in the defence sector.



Production

One of the key lessons from wars and conflicts in recent years is the high consumption of ammunition and materiel. Increased production capacity is thus an essential factor for defence and credible deterrence.

After decades of pivoting towards small orders and short production runs, defence industry in Europe can be characterised as small-scale with a low delivery capacity. The Riksdag has allocated major funding to defence. Defence industrial production capacity is now increasing in Sweden and around the world, but it must continue to increase if we are to be able to supply our own war organisation, support Ukraine and strengthen our Allies and partners.

Sweden is a significant industrial nation. To increase production capacity and the pace of rearmament of the military defence, more businesses – large and small – are needed in the defence sector. Access to manpower, components, transports, capital, technology and expedited permit processes are fundamental conditions for this. In the following, the Government outlines concrete measures for strengthening defence industrial production capacity.

Measures

Change acquisition patterns

To increase production capacity, greater incentives are needed for investment in facilities, equipment, production methods and expertise. Individually and jointly with Allies and partners, Sweden is now placing multi-year orders from defence companies to a greater extent. Long-term contracts in combination with undertakings or incentive structures to increase production capacity enables investments to resolve bottlenecks. Increased harmonisation of requirements and standardisation within the EU and NATO increase the effectiveness of production. Sweden will actively work to aggregate demand in the form of joint or coordinated orders with Allies and partners.

Adjust risk diversification for necessary investments

State investments in production capacity can be utilised as a strategic tool to increase production capacity when the State's security of supply needs are not satisfied by the market without adjusted risk diversification. Measures can be justified in areas in which production capacity is of particular importance to the defence's security of supply. State investments should be predicated on conditions that ensure security of supply in this area. The EU's financial instruments should be utilised as far as possible to strengthen production capacity. For instance, the State has invested SEK 159 million in the form of

co-financing in a reinforcement of artillery ammunition production capacity in Sweden through the Regulation (EU) 2023/1525 of the European Parliament and of the Council of 20 July 2023 on supporting ammunition production (ASAP). This joint investment will triple production capacity.

Increase production of ammunition

Access to cartridge ammunition is essential to the defence's resilience and a critical security interest. Sweden must, individually and jointly with the other Nordic countries, secure a robust and enduring supply of ammunition and explosives in times of peace, crisis and war. There are still bottlenecks in the supply chain that limit the overall production capacity of ammunition. For this reason, the Government intends to take additional measures to secure the supply chain through increased production of explosives and ammunition.

Develop production methods

Sweden's defence industrial production capacity is insufficient. One contributing factor is that production is often small-scale with a low degree of automation. Efforts can also be focused on minimising the number of components and standardising them to streamline production. Modern and digital production methods with a high degree of automation can dramatically increase production capacity and shorten delivery times. For this reason, the Government is examining the conditions to establish a special support programme for the modernisation of the defence industry's production methods.

Gripen E in production.

Photo: Per Kustvik/Saab AB



Secure supply chains

Secure access to material and components is a prerequisite for all production. Limited insight in upstream supply chains makes the defence industry vulnerable.

To ensure the necessary security of supply, the State and businesses must:

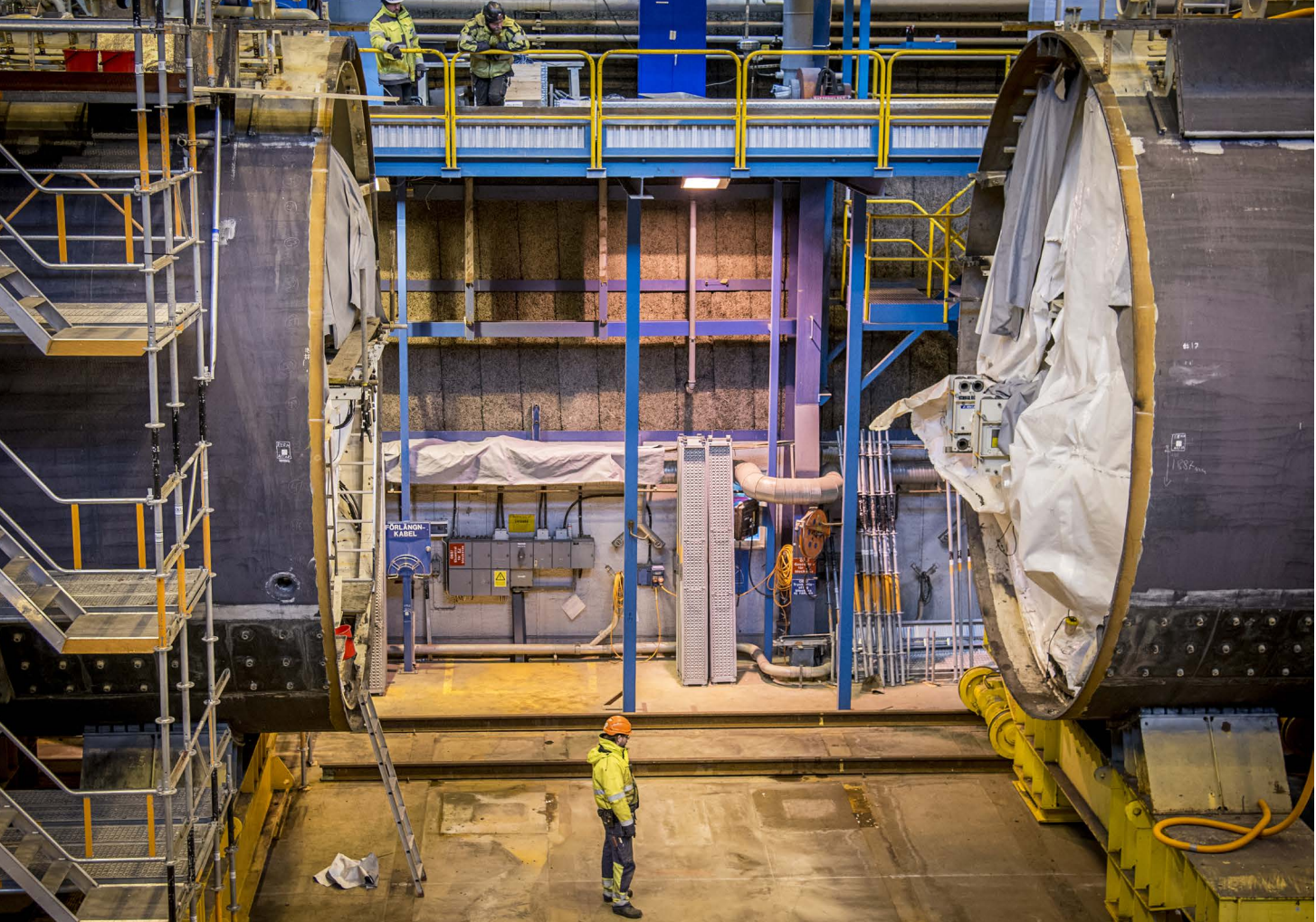
- place demands on stockkeeping, local operations and continuity planning for crisis and war,
- place demands on supply chain transparency,
- identify and manage critical material and component dependencies,
- develop strategies for intellectual property that protect necessary rights, and
- be able to replace products when supply is disrupted through alternative production methods.

Improve companies' access to capital

Access to capital is a prerequisite for companies' ability to grow and develop. For many years, banks and institutional investors have had limited exposure to the defence sector due to sustainability criteria. The Government considers defence companies a necessary part of defending peace, freedom and security and that they therefore contribute to a sustainable future. The Government intends to work for increased collaboration between capital markets and the defence sector so that investors can more easily evaluate and assess the defence market.

Facilitate for small and medium-sized enterprises

The defence market is growing, both in Sweden and internationally. Companies large and small foster innovation and renewal in the defence sector. At the same time, the defence market has high thresholds that pose specific challenges for new actors, which justifies state support in various forms. Measures to develop procurement forms, innovation and collaboration with the business sector must therefore be complemented by measures that specifically target small and medium-sized defence companies. This may involve re-examining regulatory frameworks and utilising existing support to small and medium-sized enterprises, including the possibility of using state risk capital.



Review rules and permit processes

Simplified regulatory frameworks and quick permit processes create conditions for a rapid increase of defence industrial production. The Government intends to continue its dialogue with the business sector to determine which adjustments are justified. Permit processes such as building permits and environmental permits can be complex and protracted for defence companies. This can be particularly challenging for small and medium-sized enterprises. The Government is working to simplify procedures and processes within the scope of applicable regulatory frameworks. The Government Offices is preparing the government review inquiry's proposals on focusing the Government's environmental appraisals on cases that require clear political consideration of various social interests (SOU 2024:11). Similarly, the environmental permit inquiry's proposals on amendments to the process for environmental assessments are being prepared (SOU 2024:98). Efforts to simplify rules are also under way at EU level, which the Government supports.

Due to the current security situation, defence companies are encountering growing threats. There is thus a greater need to identify protected objects and prevent the flying of drones near defence industry companies and production facilities. The Government continues to push for good collaboration with companies on antagonistic threats and risks, and is reviewing legislation on protection of infrastructure and transports.

A Gotlands-class submarine is being modified mid-term. The submarine is divided and will be extended with an additional section.

Photo: Glenn Pettersson/Saab AB

Develop strategic partnerships within strategic materiel areas

The Government has identified strategic materiel areas in which domestic defence industrial capacity is necessary for the long-term ability to satisfy operational needs and the demand for supply security. The State takes a long-term supply perspective in the strategic areas of combat aircraft, underwater, elements of command and control (such as electronic warfare and cryptography) and cartridge ammunition.

The long-term supply perspective within these strategic materiel areas requires a strategic partnership between the State and business sector for the defence industrial capacity to satisfy Sweden's needs over time.

In addition to long-term customer and supplier relationships, an appropriate partnership requires the State to:

- ensure necessary insight into activities,
- maintain dialogue with companies on long-term strategic objectives,
- carry out and promote research, development and innovation,
- pursue international cooperation, support joint procurements and support exports, and
- make strategic decisions regarding how to satisfy operational needs.

In the current security situation, procurements, investments and production that require security of supply, domestic capacity and a long-term supply perspective are required in more areas. The Government therefore intends to analyse the need of additional strategic materiel areas.

Sweden will be a driving
and credible actor in
international cooperation.



Cooperation

A strong business sector with the capacity and will to be part of the total defence is a key element of Sweden's security and defence policy. The Government intends to promote a business climate that gives the business sector the ability to contribute to Sweden's security and defence. Dialogue with the business sector is improved through greater openness and transparency, mutual trust and clear rules of play that promote market access in Sweden and export possibilities in international markets.

Cooperation with Allies and partners is a prerequisite for our deterrence and defence capability. Sweden will therefore be a driving and credible actor in international cooperation. This requires clear and well-developed Swedish positions based on national needs and interests, and an active international defence and security policy dialogue. Sweden works actively on the measures presented in the EU's White Paper for European Defence – Readiness 2030 and supports the overall objective of enhancing the defence capability of the Member States. Europe's security is improved through development driven by the Member States in line with NATO's capability targets and stronger partnership between the EU and countries of strategic importance – both within Europe and beyond and through preservation of a transatlantic link.

Measures

Inform the market about military requirements

To be able to meet future military needs, defence companies need clear signals from state customers. Transparency in the planning of materiel investments must therefore increase. By communicating future needs at an early stage, the State facilitates planning for companies. This increases the likelihood that more companies can offer effective solutions. The Government intends to task the Swedish Armed Forces with developing information for the market about the military operations environment and capability planning.

Establish a central point of contact for the business sector to facilitate establishment and collaboration

The defence market has high thresholds. In order to accomplish major rearmament, more companies are needed in the Swedish defence sector. Not only do more companies increase production capacity, but they also contribute to healthy competition. Defence companies should also have conditions to reach a broader international market, deliver to NATO agencies, contribute to the military support to Ukraine, take part in international development programmes such

as the European Defence Fund, participate in studies and testing, and apply for and receive export support. To lower the thresholds particularly for small and medium-sized defence companies, non-traditional defence companies and those seeking to establish themselves in Sweden, the Government will push for the Swedish Defence Materiel Administration to develop its role as a defence industry agency through a clearer and more centralised point of contact for the business sector. The aim is for the Administration to provide service and information to companies more quickly and effectively, which facilitates establishment and collaboration with the State. This work can be viewed in light of the broader investment promotion for which Business Sweden is responsible.

Establish a forum for strategic dialogue

Geopolitical change affects the defence market. Major efforts are under way within the EU and NATO to strengthen the defence industrial base's innovative capacity and production capacity and to increase incentives for joint development and procurement. These initiatives affect market conditions in Sweden and internationally. There is currently no forum where the State and defence companies can discuss needs and solutions at system level based on identified challenges. Therefore, a forum will be established at the Ministry of Defence for dialogue between the Swedish Armed Forces and Swedish Defence Materiel Administration and branch organisations and defence companies. Continuous structured dialogue with the business sector will also be important in the implementation and follow-up of the Defence Industry Strategy.

Actively promote business ethics and trust

High levels of integrity and business ethics are prerequisites for cooperation between the State and business sector based on trust. The defence area is characterised by long-term relationships between customers and suppliers. This entails a risk for an unhealthy culture of consensus and decision-making. The Government has tasked the Swedish Defence Materiel Administration with developing methods for comprehensive risk and vulnerability analysis and illuminating measures taken and planned to counteract bribery and corruption.

To reduce risks of irregularities, the defence sector must be characterised by:

- staff who are trained and aware,
- a culture of zero tolerance for corruption, and
- established structures that enable discovery of potential infringements.

Strengthen relations with key partner countries

International cooperation on technologies and materiel is based on strong and trusting relations with other countries. Sweden will therefore be a credible and reliable Ally and partner. Cooperation creates mutual dependencies, strengthens security and defence policy relations and increases security of supply. Cooperation also provides access to technologies that Sweden is lacking and is therefore key to

Cooperation between Swedish and American soldiers during the exercise Defender Europe 22 in Poland.

Photo: Antonia Sehlstedt/Swedish Armed Forces



driving technological and materiel development in areas that demand technological expertise. At the same time, cooperation also requires the ability to contribute within our own areas of strength, such as cutting edge research from the Swedish Defence Research Agency, the procurement capacity of the Swedish Defence Materiel Administration and areas in which Swedish companies have unique expertise. Sweden has important bilateral relations not only with NATO Allies and EU Member States, but also in regions such as South America and the Indo-Pacific.

Continue to develop support to Ukraine

Ukraine is one of Sweden's most important cooperation partners in terms of both security policy and defence industry. Military support to Ukraine must continue for as long as necessary, at national level and within the framework of the EU and NATO. The Government intends to promote development of the forms of support. This includes procurement for donation, support to the Ukrainian defence industry and establishing export credit guarantees for defence exports to Ukraine. The Government is also working within the EU to develop defence industry cooperation and integration of Ukraine into the European defence industrial base. Military support to Ukraine must be used systematically to develop structures for rapid procurements, effective adaptation of technologies and ongoing collaboration between the State and defence companies so that materiel that is in operation has a high level of availability.

Utilise possibilities for international cooperation

Sweden has a limited defence market. In order to be able to contribute to the development and supply of the Sweden's defence, Swedish defence companies also need to be able to contribute to the security of Allies and partner countries. Sweden will actively utilise international cooperation to achieve economies of scale for supply, gain access to technology and develop the defence. To be able to fully utilise international cooperation to satisfy Swedish capability needs and promote the Swedish

Finnish and Swedish amphibious units train together during the NATO exercise Nordic Response 24.

Photo: NATO



defence industry, Swedish priorities must gain traction. This entails proactive, targeted and possibility-oriented work that is firmly anchored in Swedish interests, the NATO Defence Planning Process (NDPP) and the EU Capability Development Plan (CDP).

Utilise NATO to develop the market

NATO is a driving force in capability development. Through the NDPP, requirements are placed on Sweden as part of the Alliance's collective defence. NATO's broad spectrum of efforts to improve conditions for standardisation, defence industrial capacity development and joint planning set the course for the Alliance's development. Through the NATO Support and Procurement Agency (NSPA) and NATO Communications and Information Agency (NCIA), the Alliance is also a major actor for joint procurement, which Sweden and Swedish companies should actively utilise to streamline production and supply.

Carry out materiel development within the framework of the EU

Sweden is the EU's fifth-largest defence industrial nation, and the EU is an important arena for defence materiel development. The EU White Paper for European Defence – Readiness 2030 and the European Defence Industry Programme (EDIP) should be utilised to strengthen the European industrial base and joint research, development and procurement of important materiel together with other Member States. Utilisation of current and future EU programmes, financial instruments and other tools are a key starting point for long-term capability development and supply of the military defence in critical capability areas. Ongoing dialogue with other Member States and Swedish defence companies is essential to developing positions and gaining traction for them. Investment in materiel renewal and development should take place following an analysis of the capability targets that NATO identifies, and in consideration of the financial means that EU instruments provide. Sweden supports a broad and competitive defence market that is open for cooperation with strategic partners with the aim of strengthening the Swedish defence industry and its prospects for participation.

Develop security of supply and common materiel within the Nordic Defence Cooperation

The Nordic Defence Cooperation (NORDEFECO) is being developed and intensified based on its members' collective regional interests and roles as Allies and Member States of the EU. Geographic proximity creates conditions for closer cooperation on security of supply and defence industry, including in the area of ammunition. Joint planning, the operational environment and the importance of the ability to cooperate within larger joint units create strong incentives for closer defence materiel cooperation. Collaboration on materiel and defence industry issues in NORDEFECO should be developed so as to utilise the good conditions for cooperation, facilitate joint logistics by promoting materiel interchangeability and strengthen conditions for joint operations.



Maintain a strong transatlantic link

The security of Europe and the United States is based on transatlantic cooperation. The North American and European defence industrial base is partly shared through mutual dependencies and interests. American technology and materiel play an essential role for capability development within NATO. Cooperation between Sweden and the US in the area of defence technology and materiel is strong and well-developed. Key materiel systems in the Swedish defence are American, and the US market is of great importance for Swedish defence companies. Continuing this strong cooperation is essential for technological development, materiel supply and ultimately Sweden's security interests. The Government will work to maintain a strong transatlantic link and close cooperation with the US.

Gripen E over Rio de Janeiro, Brasil.

Photo: Linus Svensson/Saab AB

Increase access to other markets – enhanced export support

The Swedish defence industry operates in an international market that is subject to rapid change. Due to global rearmament, demand is increasing dramatically, while at the same time there is considerable focus on security of supply and delivery capacity. Defence exports contribute to the supply of defence equipment to Allies and partners, and thus to Sweden's security and defence policy objectives. Defence exports are also a prerequisite for the Swedish defence industry's development and employment rate. On the whole, defence exports enhance Sweden's security. Strong export support from the State is important for defence companies' ability to expand their customer bases. To satisfy the market's needs, the Government believes that the state system for defence export support and promotion needs to be strengthened, and has therefore appointed an inquiry to evaluate the regulatory framework, governance and forms for state export support in the area of defence.

Develop defence exports between states

Conditions for the defence market are changing. As demands on security of supply, bilateral cooperation and effective requirements specification and procurement procedures intensify, increasingly more transactions take place between states, where one state procures and sells to another state. Joint or coordinated procurements are also becoming increasingly common, and new structures and incentives for cooperation within the EU and NATO are being established.

Sweden currently lacks clear forms for defence exports between states, which limits conditions for effectively satisfying the needs of Allies and partners. There are thus strong security and defence policy grounds for a systematic approach for deciding on, implementing and following up defence exports between states. This is also part of the inquiry's remit.

Promote defence exports of small and medium-sized enterprises

Defence exports require good knowledge about local conditions, verifiable delivery capacity and trust. Small and medium-sized defence companies' conditions for reaching a broader international market are dependent on state actors actively promoting exports. There are often synergies between the broader promotion of business and exports and the promotion of defence exports. Business Sweden has increased promotion of defence exports, focussing on small and medium-sized enterprises. To improve market conditions for small and medium-sized defence companies and as a complement to Business Sweden, the Government is examining the conditions for enhancing the Swedish Defence Materiel Administration's role in promoting defence exports. Promotion of exports should be carried out in line with Sweden's security and defence interests.

Minister of Defense Pål Jonson gave the opening speech when Sweden hosted the NATO Industrial Forum in Stockholm in October 2023.

Photo: Niklas Forsström/Government Offices





Tridon Mk2

Photo: BAE Systems Bofors

Implementation and follow-up

This Defence Industry Strategy should promote an innovative and competitive defence industry with a high production capacity. In a changing world, measures will be developed as international conditions change.

Implementation and follow-up of the Defence Industry Strategy will be ongoing. The Strategy outlines both measures that have been taken and measures that the Government intends to take. In the Budget Bill for 2026, the Government will follow up with the Riksdag in the areas in which measures require amended financial frameworks.

In the annual reporting of results, the Government will follow up with the Riksdag with respect to which measures have been taken to implement this Strategy.



Government Offices of Sweden

Ministry of Defence

Switchboard: +46 8-405 10 00

www.government.se