

Politics in the Skies

A Qualitative Analysis of Global Jet Fighter Sales and the Struggles of Sweden's Gripen, compared with offers from France and the United States

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Bachelor Thesis

Stockholm School of Economics

2023



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Abstract:

The complex dynamics of the worldwide jet fighter market are examined in this paper, with a special emphasis on the factors that influence procurement choices and Sweden's disproportionate representation in corruption cases. Our research reveals a market environment dominated by geopolitical power, financial incentives, and superior products. Notably, countries like the US and France exploit superior products and strategic alliances while Sweden primarily relies on unscrupulous offsets to clinch deals. Due to their close ties to foreign policy and potential for corruption, the report draws attention to the need for enhanced transparency in defense exports.

Keywords:

Fighter jet, procurement, offset-agreements, corruption, geopolitics

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Bachelor Thesis

Bachelor Program in Business and Economics

Stockholm School of Economics

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Acknowledgements

This thesis marks the end of our bachelor studies and time at The Stockholm School of Economics.

We would hereby like to express our profound gratitude to first our tutor Henrik Glimstedt for his insight and recommendations and for challenging our perspectives. We extend our gratitude to our course teacher, Patric Director, for his enlightening guidance and support.

Lastly, we owe a deep debt of gratitude to our friends and family for their constructive feedback and unwavering emotional support throughout this journey.

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Stockholm School Of Economics

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1. Introduction & Background

The international jet fighter market is a complex and specialized one, with many different variables influencing how purchases turn out.

Sweden, a nation historically famous for its dedication to promoting peace and neutrality, struggles to market its main defense export, the Gripen fighter jet. The successful marketing of this fighter jet within the complex global defense industry, a sphere intertwined with geopolitical, economic, and technical considerations, is crucial for Sweden's export-focused economy in addition to being fraught with moral ambiguities. Sweden must skillfully navigate the competitive dynamics and the ethical complexities present in this industry, which is dominated by superpowers like the United States and France.

2. Problem Formulation

Sweden, renowned for its peaceful global image, faces significant challenges in promoting its premier defense export - the Gripen fighter jet. As a crucial driver of its export-reliant economy, the successful export of the Gripen is intertwined with economic, geopolitical, and ethical challenges. Sweden competes in a global arena dominated by geopolitical powerhouses like the United States and France, equipped with advanced military technologies and strategic geopolitical influence. This competition, coupled with ethical concerns surrounding defense exports, creates a complex scenario requiring a delicate balance between economic needs and ethical conduct. This study aims to unravel these complexities, informing more ethically guided and successful strategies in the international defense trade.

3. Expected Contribution

This study aims to provide a comprehensive understanding of the international jet fighter industry, with a specific focus on the practices and strategies employed by Sweden, represented by Saab's Gripen fighter jet, as well as comparative insights from major players such as the United States and France. We plan to delve into the complex network of geopolitical, economic,

and technical factors that govern this industry, with a particular focus on the controversial role of offset agreements in the industry.

4. Purpose and Research Questions

The purpose of this research is to explore and understand the dynamics of the international jet fighter industry, with a focus on the strategic and ethical implications of offset agreements, the interplay between defense exports and foreign policy, and the contrasting strategies used by Sweden, the United States, and France. Our last part of this paper will focus specifically on Sweden.

The research questions guiding this study include:

- How do the strategies employed by Sweden, the United States, and France in the international jet fighter industry compare and contrast?
- What role do offset agreements play in the international jet fighter industry, and what are their ethical implications?
- How does the interplay between defense exports and foreign policy manifest in the practices of Sweden, the United States, and France?

Through addressing these questions, this study aims to contribute to a comprehensive understanding of the international jet fighter industry, shed light on the ethical considerations in defense exports, and provide recommendations for improving industry practices.

5. Delimitations

The sale of jet fighter aircraft is the subject of this investigation. We have opted to focus on aircraft deals in order to keep a concentrated approach, even if the findings may potentially be applicable to other high-value arms deals, such as submarines and tanks.

6. Previous literature

6.1.1 Offset-agreements

An understanding of Offset-agreements is crucial to understanding how large defense acquisitions take place. Offsets serve as important marketing tools for military companies or countries looking to export defense material. They are a common practice in large arms deals and the basics “if we buy this from you, you must buy this from us.” (Augustsson, 2023).

The theoretical aim of offsets is to establish cross-border commercial and industrial collaborations, fortifying economic connections with purchasers, enhancing market accessibility, minimizing expenses, and generating economic expansion through trade (Coetzee, 2017). The global market for military hardware is very politicized and protectionist and in some markets, offset agreements are the sole practical means of gaining market access. (Tenvik, 2015)

Offsets can be separated into two categories, direct and indirect offsets. Direct offsets are transactions directly related to the military products or services that are being exported indirect offsets are transactions that are unrelated to the product or service that is being exported (non-military industries) (Bureau of Industry and Security, 2009).

Table below shows a few more example of constellations of offset-agreements (Willett & Anthony, Copenhagen Peace Research Institute, 2023):

Strategy	Description
Co-production	Sharing the production of a weapon system with the customer, resulting in employment and technology transfer benefits.

Licensed production	The recipient obtains a portion of the production work necessary to complete their own order, which may include assembling complete weapon systems or producing parts locally.
Production by subcontractors	The primary contractor switches out an existing supplier for one based in the nation of the client.
Barter	Direct exchange of products for goods without the use of money. For example, trading military hardware was traded for commodities.
Counter-purchase	The supplier of arms agrees to buy equivalent quantities of goods from the buyer's nation.

An important part of the offset-agreements are multipliers. A defense contractor's obligation to contribute to the local economy is measured by an offset multiplier, which is a percentage or facto ($\text{Offset Value} = \text{Nominal Value} \times \text{Multiplier}$). If a certain area is of high interest to the buying government, for example R&D centers, or stimulating a certain region with jobs, then that part will have a higher multiplier to incentivise the selling government to invest in that particular area (Seguin, 2007).

6.1.2 Positives aspects with offset-agreements

Offsets can help businesses enter markets that may be difficult to do so. In major military procurement competitions, establishing relationships with local partners is essential. Therefore, contractors typically propose offset agreements centered on fostering industry links through collaborative production or development efforts (Dehoff, Dowdy, & Sung Kwon, 2014).

The country that buys the aircraft might have domestic problems such as a large pool of unemployed labor, or a significant percentage of its workforce is in low-skilled industries. Solving these problems might be difficult to execute due to political constraints in the country. Here, an offset agreement in the form of i.e co-production can be useful as the buying government can stimulate employment. (The Code of Conduct on Offsets, European Defence Agency, 2008).

6.1.3 What are the issues with offset-agreements?

The problems with offset-agreements are their inherent nature to be prone to corruption. Corruption related to offset agreements can be categorized in the three categories summarized in the table below (Defence Against Corruption, 2016).

Table below shows three different areas where illegal offset agreements likely occurs:

Corruption Type	Description
Political Corruption	This kind of corruption involves the abuse of authority by political figures to improperly sway defense acquisition decisions. It can go as far as faking offset packages to be used as bribes during negotiations, which would ultimately skew the procurement process for one's own or another's political benefit.
Bureaucratic Corruption	This type of corruption frequently involves state employees, especially those in procurement, who covertly influence contract awarding. It frequently takes the form of deceptive tactics within offsets packages that are intended to avoid scrutiny, facilitating illegal activities within the procurement system's bureaucratic machinery.

Private Sector Corruption	Involves favors paid to dishonest government representatives through offset projects, with businesses, agents, and brokers providing improper advantages in defense contracts.
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6.1.4 Other drawbacks of offsets

Authoritative studies suggest that offsets can add between 10 and 30% to the final cost for the buyer, making them a more expensive option compared to off-the-shelf purchases, with added costs stemming from the activities of consultants and agents involved in the agreements. For example, research conducted in Belgium found that the nation had to spend 20–30% more on military equipment when offsets were considered. These additional costs are often borne by taxpayers, while the benefits are distributed among the procuring government's chosen individuals and institutions. (Tenvik, 2015)

The US government has no official offset strategy for its own defense purchases since it is skeptical of offsets and believes that they are "economically inefficient and trade damaging." (US Department of Commerce). Additionally, offsets frequently entail moving manufacturing or assembly to the nation of the buyer, which may result in the construction of multiple production lines across various sites. This structure ignores the potential economies of scale gains that could have been made if production had been consolidated at the original sites in the seller country. (Tenvik, 2015).

Data from 20 case studies were evaluated by Brauer and Dunne in 2005, who came to the conclusion that defense offsets often cost more than standard defense procurement. The report concluded that offsets also fall short of considerably boosting a nation's overall economic development or the quantity of new or long-lasting job opportunities. Moreover, neither the military nor the civilian sectors often gain from any meaningful technology transfers as a result of them. Research indicates that offset agreements are more likely to be employed for political purposes in overseas acquisitions than to bring about definite economic gains, particularly in

developing democracies. In actuality, the majority of offset projects have not resulted in net gains for a country's economic development (Brauer & Dunne, 2005).

The Government Procurement Agreement (GPA) 21 of the World Trade Organization (WTO), which is ratified by over 40 nations, forbids offsets. However, some exceptions for the arms industry are made, such as those made possible by the EU Article 296. The article states that a country: “may take such measures as it considers necessary for the protection of the essential interests of its security which are connected with the production of or trade in arms, munitions and war material..” This enables states to have military procurement that deviates from the normal public procurement framework and to take into account the use of mechanisms like offsets, provided that they do not impede competition in civil markets (Payman, 2010)

6.2.1 Corruption in the Arms Industry

The arms industry is overrepresented in corruption cases in relation to its size. (Roeber, 2005) Opportunities for rent-seeking behavior, opportunism and corruption can all be hidden from the public under the label of “national security” (Stockholm International Peace Research Institute (SIPRI), 2022).

This makes the arms industry one of the least audited and accountable areas of private or public security (Feinstein, 2011). According to a "Control Risks" survey from 2006, over one-third of all defense corporations in the world believed they had lost out on a contract the previous year because of a rival's alleged misconduct.

6.2.2 Many prosecutions - few convictions

Corrupt payments are thus concealed under commissions, consultancies, subcontracts, offsets, and barter agreements as the corrupt actors have learned to cover their tracks in intricate agreements involving different states, agencies, businesses, and shell corporations. In order to prosecute corruption, prosecutions must overcome legal obstacles and rely on intricate international investigations that may involve underfunded, clogged-up, or corrupt legal systems. (Stockholm International Peace Research Institute, 2022).

This complexity is a reason why there are many corruption allegations related to military procurements but not many corresponding convictions.

7. The Past and Present: Government-Defense Industry Alignment in Sweden, France, and the United States

This section aims to give a broad overview of the historical and current cooperation between the French, Swedish, and American governments and their respective defense industry. We seek to comprehend the degree of alignment between the national defense industries and governments in each country by examining their respective military histories, political views toward arms exports, and the roles that governments play in those businesses. This analysis will add significant context to the larger debate about how government attitudes affect how competitive various countries' arms industries are.

7.1.1 France's Arms Industry History

France have frequently been at the forefront of military development as a result of such protracted periods of battle, and as a result, military technologies originating in France have had a significant influence on European and global history (Cambridge University Press, 1989)

Between 1961 and 1980, France developed a solid defense identity thanks to eminent armaments experts and a streamlined administrative system. The creation of the Delegation Ministerielle pour l'Armement (DMA), later known as the Delegation General for Armament (DGA), centralized the nation's defense industry and allowed for the development of a significant weaponry program.

7.1.2 French Attitude Towards Arms Exports

Promoting the French defense industry is a core interest for France. *“In order to translate its political will to include government support in military export industrial projects, a core component of our bilateral relations, the French Ministry for Europe and Foreign Affairs has put its diplomatic network to work for our national defense and security interests.”* (French Office

for Foreign Affairs, 2013). Another statement: *“An esteemed interlocutor of local authorities and point of contact for our manufacturers working abroad, the role of the French diplomatic network is to analyze and convey the needs of local authorities in terms of equipment, oversight and offsets; and monitor and provide local government support for industrial projects.”* (French Office for Foreign Affairs, 2013). Another feature of the French Defense industry is that they do not allow foreign owners of their defense companies (Lundmark & Giovachini, 2015) as well as keeping most of their production in the country (Source at the Brazilian Embassy in Stockholm).

7.2.1 Swedish Arms Industry History

Sweden's arms industry has a long history of being self-sufficient and working closely with the government, military, and business sector. The demand for larger-scale weapon production increased during World War I, which resulted in more frequent interactions with specialist weapon makers. In the 1930s, Bofors, a significant Swedish defense corporation, established itself as a leader on the domestic market and enjoyed success abroad (Larsson, 2018). Many Swedish businesses began to rely substantially on government orders for defense goods throughout World War II. Manufacturers of various weaponry and military gear, including Landsverk, Husqvarna, Kockums, Karlskrona, Saab, and L M Ericsson, made contributions to the industry. During World War II, Sweden emphasized its neutrality and sought to produce its own defense products, which served to strengthen the military-industrial complex. Throughout the Cold War, businesses and the government worked closely together to strengthen Sweden's military material independence (Larsson, 2018).

Sweden put a lot of effort into building a strong armaments industry that could supply its armed forces without depending on outside sources in order to retain neutrality and guarantee independence. The Swedish arms industry is still a prominent player in the worldwide market despite shifts in its political stance and the shifting environment of arms manufacturing and exports (Åkerström, 2019).

7.2.2 Swedish Attitude Towards Arms Exports

As a small trade-dependent country, exports are essential for creating and preserving domestic jobs, as well as for welfare and the Swedish economy, this is widely known. Sweden's arms exports vary in scope but account for approximately one percent of total exports (Statistika Myndigheten, 2019). Since Sweden has for a long time been “neutral” and peace-promoting and seen as a country at the forefront of international development work (Coetzee, 2018), the ongoing export of military equipment in some cases could create significant conflicts between the economic profitability of trade and the country's aid policy and humanitarian ideals. Despite the controversy surrounding the arms industry, Sweden has become one of the world's largest per capita arms exporters, topping the global list in 2010. Between 2014 and 2018, the country was the 15th largest arms exporter in terms of total value (Svenska Freds, 2018).

In contrast to France, Sweden allows foreign ownership of defense companies. With the exception of SAAB, all of Sweden's defense companies are foreign-owned (Bromley & Wezeman, 2013).

The relationship between Saab and the Swedish State is very close and according to reports, Saab accounts for almost 70% of the money spent on military equipment for the Swedish armed services (Augustsson, 2019). Saab is now also more frequently thought of as a national security asset than as a private company. (Åkerström, 2019). When asked to define the connection between the Swedish state and Saab in 2016, the FMV official in charge of state support to the arms sector claimed it was like *“a parent caring for its child”*. *FMV cares for and creates an independent individual that, with support, can stand on its own and interact with others rather than constantly have to be fed orders from the Swedish armed forces like before, the official said. I am inclined to say that the Swedish state's relationship to Saab is that of a parent caring for a fully grown adult, still living at home – but eating out of the cupboards – in order to sustain a lifestyle it could never afford on its own. All the while, the parents are convinced that the child is doing them a favor* (Åkerström, 2019).

Unlike France, the export of Swedish defense material has not been a core part of Swedish foreign policy and different ruling governments have had very divided opinions on arms exports.

The opening of “Försvarsexportsmyndigheten” in 2010 is a sign of high political interest during that time. However, that authority will be closed in 2015 due to a shifted political view on arms exports (Brandel, 2014).

7.3.1 United States Arms Industry History

The United States' commitment to sustaining its defense capabilities and supplies has been continuously shaped by historical events. Over time, the United States' manufacturing capabilities and defense requirements have changed. The emphasis switched between 1919 and 1938, from defending borders and preserving arsenals in the early days to mass production during World War I. The United States developed superior manufacturing techniques and increased its production capacity during World War II. The defense industrial base was reduced during the post-war demobilization process, and new defense technologies were developed (National Research Council, 1999).

Congress passed the Defense Production Act in 1950 as a result of the Korean War, upgrading the development and manufacture of aircraft. Nuclear weapon research and strategic warfare were given top priority throughout the Cold War. In order to enhance the defense industrial base, the Manufacturing Technology (ManTech) Program was started in the late 1950s. Command, control, communications, and intelligence capabilities were given more attention in the 1970s and 1980s. Reduced defense spending and mergers among defense-focused companies followed the end of the Cold War. The distinction between the commercial and defense sectors of the economy is becoming increasingly hazy nowadays (National Research Council, 1999).

7.3.2 American Attitude Towards Arms Exports

From the White House official website: *“The United States is stronger and safer when it works in concert with allies and partners, and arms transfers are an important mechanism to strengthen partner contributions to global security and reinforce these security relationships.” - “By aligning United States conventional arms transfer policy with United States foreign policy and national security objectives, the United States can continue to be the primary security cooperation partner of choice for its allies and partners, as well as a global leader in advancing the protection of human rights, supporting nonproliferation, and strengthening stability.”*

The Foreign Military Sales programme (FMS) is a key component of U.S. foreign policy. When the President determines that selling U.S. defense products and services will improve U.S. security and promote world peace, it permits the export foreign nations and international organizations. The Secretary of State is in charge of selecting the nations that qualify, while the Secretary of Defense is in charge of managing the program's implementation (Defence Security Cooperation Agency, 2023).

7.4 Summary of the countries alignments

The defense industries of Sweden, France, and the United States have historically been and continue to be closely aligned with their respective governments, each developing according to its unique historical context, foreign policy, and national security objectives. However, the degree of alignment varies among the three countries, with Sweden having a weaker alignment compared to France and the United States.

France maintains a strong defense identity, with a rich military history. The country is known for keeping its defense companies domestically owned and preventing substantial foreign acquisitions. French politicians actively support their defense industry, resulting in a well-aligned defense industry-government relationship.

The United States, as a global leader, has emphasized cooperation with allies and partners, using arms transfers as a mechanism for strengthening relationships and promoting global security. The U.S. government plays a vital role in the defense industry through the Foreign Military Sales (FMS) program, which allows the country to sell defense products and services to foreign nations and international organizations. This strong support and cooperation demonstrate a high level of alignment between the U.S. government and its defense industry.

In contrast, Sweden's arms industry has been shaped by its neutrality policy and export-oriented focus. Although the country is one of the world's largest per capita arms exporters, the shifting opinions on Swedish arms exports from different ruling governments as well as many foreign

owned defense companies indicates that the alignment between the Swedish government and its defense industry is less consistent compared to France and the United States.

8. Methodology

To gain a deeper understanding of the factors influencing fighter jet procurements, we will employ a comprehensive desktop research approach. This qualitative method will involve examining relevant procurements from Swedish, French, and American companies.

We will collect and analyze data from various sources, including government documents, procurement records, industry reports, and news articles. By comparing and contrasting the procurement processes and outcomes across these countries, we aim to identify the deciding factors of acquisitions, find patterns, trends, and discrepancies that may shed light on the role of for example the impact of governmental support and corruption on procurement decisions.

In the end of this paper, after we have made a comparison between the three countries' variables which contribute to their sales of fighter jets, after we can conclude which variable is the most important in the case of Sweden, we will evaluate that/those variable(s) and discuss a future path for Sweden in the defense Industry.

8.1 Data collection, sources and variables

Procurements involving Sweden, the United states and France will be analyzed because of two main reasons; firstly, they routinely compete with one another in aircraft procurements and secondly, being western democratic countries. Also, as the Gripen is the center of our analysis, we will analyze procurements in the timespan of when the Jas Gripen made its first sale to a foreign country (South Africa in 1998), up until the present - 2023.

We will exclude from analyzing procurements involving countries that have been part of the Joint Strike Program. The countries involved are the United Kingdom, Italy, Canada, Australia, the Netherlands, Denmark, Norway. The Joint Strike Fighter is a development, cost sharing and procurement program designed to replace a variety of these nations' current fighter, strike, and

ground attack aircraft with the Lockheed Martin F-35 (Congressional Research Service of the United States, 2022). We do not consider these procurements to be of interest to look at as all of these countries prematurely chose the F-35 by being a part of the JSF. Instead, we focus on procurements of countries outside of the JSF to get a more clear image of what influenced the decisions. However, we will analyze some successful F-35 deals with countries that were not a part of the JSF.

To maximize the overall reliability of the information presented and provide readers with a solid foundation to base their knowledge on.

The outline of the chosen references presented here showcases a comprehensive collection of sources. This array of sources offers a robust and multi-perspective look into the international arms trade, defense industry and national security.

Among the list are resources from academic and research institutions, such as the work of Mats Larsson, articles published by Cambridge University Press and JSTOR, and the research conducted by Lundmark and Giovachini from FOI. These are complemented by studies from institutions like the Stockholm International Peace Research Institute, the National Research Council, and the Copenhagen Peace Research Institute. The information gleaned from these sources provides expert analysis and opinions that are backed by meticulous research and often undergo peer-review processes.

Additionally, there are references from various government and international institutions, including the French Office for Foreign Affairs, Statistik Myndigheten, Svenska Försvarsmakten, and the Defense Security Cooperation agency. These resources tend to offer official insights and data, which can be trusted for their reliability and unbiased nature.

News media also constitutes a significant portion of the list, with articles sourced from reputable outlets such as The Times Of India, Deutsche Welle, NDTV, Svenska Dagbladet, The Local News, and Reuters. These platforms provide comprehensive coverage of news and current

affairs, often supplementing their reporting with expert commentary or eyewitness accounts. They uphold a commitment to journalistic integrity and rigorous fact-checking.

Books like "The Shadow World: Inside the Global Arms Trade" by Andrew Feinstein also find mention in the list, providing in-depth analysis on their respective topics.

The reference list also takes into account industry sources like Saab, Lockheed Martin, and Dassault Aviation. While they may provide crucial technical details and perspectives, it's important to keep in mind they could also reflect corporate interests.

Several reports from organizations like the Bureau of Industry and Security and the Stockholm International Peace Research Institute are listed. They provide comprehensive, in-depth analyses of specific topics, often underpinned by empirical data.

Finally, the inclusion of websites and blogs like corruption-tracker.org highlights the importance of platforms that allow specialized interest groups or field experts to share insights and information. Such sources often offer perspectives not found in mainstream channels.

All in all, these sources are reputable within their respective fields, offering a broad array of perspectives, and facilitating a comprehensive understanding of the topic at hand. Their collective use paints a well-rounded picture of the subject matter.

Variables

During the scanning process of the defense contracts of the countries we will examine it from a viewpoint of 4 variables:

- **Political involvement / Strategic partnerships**

This variable is important because political factors, such as national security priorities or diplomatic ties between nations, frequently have an impact on defense contracts. We can learn

more about how political factors influence the terms and conditions of these contracts by examining the degree of political involvement in defense contracts.

- **Offset agreements**

This variable is of relevance because offset agreements are common in defense contracts, and they can have a significant impact on the domestic economy of the contracting country.

- **Competitive contracts**

The decision-making processes that give priority to technical excellence and specific performance requirements in defense procurements can be better understood by evaluating this aspect.

- **Corruption allegations and convictions**

This variable emphasizes how corruption affects defense contracts, providing information on the fairness of the contracting procedure and the incidence of unethical behavior in various nations' defense industries.

We can assume there will be cases where there is a combination of several variables, thus we can extend our investigation by separating the variables into *Primary variable* and *Secondary variable*. We assume the primary variable carries a weight of 1 point, and the secondary variable carries 0.5 points. When compared to the major reason, the secondary reason reflects a component that is nonetheless important but is given less weight in the decision-making process. Giving the secondary reason 0.5 points implies that it, while to a smaller amount than the major reason, contributed to the overall choice. The purpose of separating the points into primary and secondary causes is to emphasize the primary reason as the primary driver of the decision-making process, emphasizing its significance in shaping the outcome. Later by utilizing the visuals of pie charts we can create three graphs and highlight each country's main contributors for succeeding in fighter sales.

We will use these variables from the buyers perspective. This provides us with a framework where the analysis will become more clear and structured and better understand the decision-making progress of acquiring fighter jets.

8.2 Difficulties and challenges for the method used

As much surrounding the deals are held secret, it can be difficult to access primary sources. Conducting interviews with experts in the field can be a valuable source of information, but it may be difficult to secure interviews with individuals who have the knowledge, experience and objective standpoints needed precisely for our research question. Additionally, individuals who work in the defense industry may be hesitant to speak candidly about their work due to security concerns or other reasons.

Regarding the potential biases in published literature, depending on the sources we need to use for our literature review, we may encounter fake or misleading information. For example, some sources may be funded by defense contractors or have other conflicts of interest that could have influenced their perspective.

It may be difficult to compare the information you gather across sources. For example, one source may have a different perspective on a particular issue than what you have read somewhere else, and it can be challenging to reconcile these different viewpoints.

8.3 Reliability and Validity of the Study

The reliability and validity of this study are ensured through a carefully designed research methodology, which balances the challenges and limitations associated with desktop research. One challenge is the lack of transparency, as transaction details are frequently classified for national security reasons, also limited access to primary sources. To overcome this, we maximized the use of publicly available resources such as official government documents, industry reports, procurement records, and trusted news articles. While these may not provide as

much granularity as primary interviews or direct correspondence, they still provide a rich base of information that can be effectively used for an analysis of this nature.

Potential biases in published literature and online reports represent another obstacle. To mitigate this, our approach is to critically evaluate all sources of information, understanding their context, and cross-verifying the presented facts. We also identify and consider potential conflicts of interest, ensuring that they do not unduly influence our analysis.

The risk of incomplete or inconsistent information is inherent in any research study. We approach this challenge by employing a triangulation method, where we use multiple sources of information to validate our findings. This allows us to build a more comprehensive and accurate picture of the defense industry contracts landscape.

Our approach, therefore, is designed to handle the potential difficulties of desktop research while trying to maintain the highest standards of reliability and validity. While we cannot guarantee absolute accuracy and reliability, we will endeavor to conduct our research on the factors influencing fighter jet procurements to the best of our abilities and with the resources available to us.

Lastly, there is always a fundamental difficulty in assessing each variable's weight in a decision-process; simplifications and assumptions are needed. We welcome future scholars and passionate people to change/question our stated assumptions and bring forward new data.

8.4 Data Collection: Case-by-Case

8.4.1 Sweden - Brazil

The Brazilian Gripen Program was established in 2013, following Saab's success in its bid for the F-X2 Programme, a procurement initiative intended to replace the Brazilian Air Force's (FAB) current fleet of fighter aircraft. Saab was competing against Boeing's F-18 Super Hornet, the Dassault Rafale, the Eurofighter Typhoon, Lockheed Martin F-16 and Sukhoi SU-35 from Russia. According to reports, the JAS-39NG ranked 1st in FAB's technical trials and had substantial support from Brazilian aerospace companies (Defense Industry Daily, 2019).

Following this, a formal contract between Saab and the Brazilian government for the development and manufacture of a total of 36 aircraft was established in October 2014. According to Air force commander Gen. Juniti Saito of the FAB, the Gripen won over the competition for three main reasons: performance, technology transfer and lower acquisition and operating costs. He also stressed that Saabs offered offsets played an important part in the decision (Defence Aerospace of the United States, 2013). The F-18 was ultimately disqualified after news of the NSA spying on the Brazilian government surfaced (Soto & Winter, 2013)

Offset-agreements

The technology transfer was an important factor to Brazil in choosing their partner.

“France is always the better partner. Concerning Russia, everyone knows the difficulties and we don't know what is going to happen in ten years so that we will be able to guarantee our spare parts. The USA, traditionally, does not transfer technology... We want to seek the lowest price with the most technology transfer.” - Jose Genoino, Deputy in the, at the time, ruling “Workers’ Party”.

The offer from Saab includes plenty of technology transfers and industrial partnerships. For example, the entire avionics suite (screens, gauges etc.) will be made by the Brazilian company, AEL in Porto Alegre. There will also be a shared integration of source codes which would allow the FAB to speedily add and integrate their current weapon systems into the Gripen (Defense Industry Daily, 2019).

The partnership between Saab and Brazil is expected to last for a considerable amount of time thanks to a comprehensive technology transfer that will enable Brazil to develop, produce, and maintain supersonic jet fighters on its own (Saab AB, 2023). *“The spillover from this deal is very big. Numerous collaborations between the two countries have happened, for example in smart cities and in the mining industry. In order to facilitate the technology transfer, several Brazillians connected with the Gripen-program currently live and work in Linköping. Pilots, engineers, technicians are some examples. In less than a month the production line of the Gripen will open in Brazil so everyone must get ready for that. However, the offset program is shrouded with secrecy, not even us at the embassy know much about it....We have the impression that Sweden, on a political level, is more shy compared with France and USA in their efforts to sell the Gripen, the others are much more aggressive in their efforts.”* (Source at the Brazilian Embassy in Stockholm, interviewed on 28/4-2022)

Political involvement:

In 2018, Stefan Löfven (Prime Minister of Sweden) wrote a letter to Lula da Silva (President of Brazil) and recommended the Gripen (World Peace Foundation, 2020).

Löfven gave a testimony of what happened and he insisted that his efforts to promote and influence the sale of the Gripen to be appropriate. Prosecutors in the case believe that a meeting between Löfven and Dilma Rouseff (former President of Brazil) during the funeral of Nelson Mandela in 2013 helped seal the deal (Wallin, 2018).

Corruption allegations

Operation Zealot, an investigation into a corruption scandal involving major Brazilian corporations was started by Brazilian investigators in March 2015. This wasn't initially connected to the Gripen transaction. By October 2015, it had been made public that the company (LFT) of Luis Cláudio Lula da Silva, the son of former president Lula da Silva, had received questionable payments from the consultancy business M&M. The Gripen investigation was restarted after new evidence led to the arrest of M&M founder Mauro Marcondes. (Corruption Tracker, 2020)

The fact that Marcondes had worked for Saab by December 2016 was revealed, and the BRL 2.4 million transfers from the company to LFT were allegedly made in exchange for former president Lula da Silva's influence over Dilma Rousseff's choice of the Gripen in December 2013. Both of the da Silvas were accused, and Lula later served time in prison for corruption-related offenses unconnected to the armaments transaction (World Peace Foundation, 2020)

8.4.2 Sweden - Thailand

In 2007, Thailand bought six Gripens in a competition between Russian SU-30, American F-16s and Dassault Rafales. The deal was worth 3,8 billion SEK. (Defense Industry Daily, 2019). The deal was later followed by another 6 planes a few years later. In addition to the Gripens, the deal also comprised two turbo-prop Saab 340, one of them for transport and the other fitted with the Eerie Eye early warning radar system (Defense Industry Daily, 2019). The deal was viewed as controversial as Thailand was viewed as a dictatorship (Linde, 2006). It was said that Saab had a very competitive offering on cost and performance and that the extra Saab 340s that were offered sealed the deal.

Political involvement

Göran Persson traveled to Bangkok with Åke Svensson, who was Saab's previous CEO. Although he had a grand plan, not many people were enthusiastic about it. Thaksin Shinawatra, who was prime minister at the time, more or less publicly admitted he liked American planes. (Resare, 2015)

Göran Persson decided to launch a sales campaign to persuade Thailand to buy the JAS aircraft. Agendas were coordinated among Swedish politicians, officials, military experts, and Saab executives. A series of activities then took place, including formal and informal courtship, meetings, cultural events, and full-fledged marketing campaigns. (Resare, 2015)

“Offsets”

The Swedish embassy in Bangkok claims these cannot be referred to as offsets, but some of the Swedish proposals were made with the Thai military junta in mind. Sweden, for example, has

provided scholarships so that Thai officers may attend Swedish institutions and colleges. At the time of writing (2015), Sweden had paid for the education of 37 officers in total. (Resare, 2015)

Controversy

Because American laws forbid the sale of arms to military dictatorships, the US abandoned the military junta's program to acquire aircraft. (Resare, 2015). The fact that Sweden went through with the deal despite this was seen as controversial.

8.4.3 Sweden - Czech Republic & Hungary

(We have decided to put these two countries together due to the similarities in their procurements). After joining NATO in 1999, Hungary and the Czech Republic were looking to replace their old, Soviet era planes. (Lazar, 2019).

At the time of the deal, Saab had a partnership with the British arms company BAE systems to more effectively market and sell the Gripen abroad (Investor, 2010). In 2004, the Gripen was selected over rivaling planes, such as the F-16. The deal was to lease 14 Gripens over 10 years. Saab was the only remaining contender at the end as rival companies had withdrawn. In Hungary, as per the Orban administration's statement, Saab/BAE's Gripen triumph was attributed to a compelling Swedish offset proposal (Joob & Kolbert, 2015)

Offsets

A key requirement of the procurement was that the seller provided industrial offset agreements, which came with the obligation to provide a guarantee of financial repayment for these otherwise expensive purchases. The specific economic goals of the offsets were stated by the Hungarian government. These goals included raising overall and chosen advanced technological standards, creating new employment possibilities, promoting regional development, and increasing exports of targeted goods. They also included the promotion of particular economic sectors through focused compensation techniques. (Lazar, 2019).

For Hungary, the offset obligation originally represented 110% of the Gripen aircraft lease, of which 20% represents the direct offset and for the Czech Republic the offset obligation constituted 130% (Amara & Pargac, 2009).

Corruption Allegations

Allegedly, at least EUR 12.6 million were secretly paid out to Czech and Hungarian politicians to influence the decision. In 2009, the UK Serious Fraud Office charged an Austrian businessman and BAE agent, Alfons Mensdorff-Pouilly, with the following specific charge. “Conspired with others to give or agree to give corrupt payments to unknown officials and other agents of certain Eastern and Central European governments, including the Czech Republic, Hungary and Austria as inducements to secure, or as rewards for having secured, contracts from those governments for the supply of goods to them, namely Saab/Gripen fighter jets, by BAe Systems plc.” However, the charges were later dropped due to a lack of evidence (World Peace Foundation, 2015).

8.4.4 Sweden - South Africa

The SAAF would acquire Saab-BAE Systems-supplied Gripen new generation fighter aircraft as part of the new defense equipment package, customized to meet specific South African requirements, to fulfill the role of an Advanced Light Fighter Aircraft, it was announced in November 1998. 9 single-seat aircraft and 9 dual-seat aircraft were the original order but the order was upgraded in 2005 to nine dual-seat and seventeen single-seat aircraft (Saairforce.co.za).

Offset agreements

A number of offset benefits, including a net positive return on the investment and the creation of more than 65,000 jobs (McNeil Jr., 1998).

Sweden offered offsets valued at 150 Billion SEK whereas the owner of Saab, Investor, stood for a third of the value (Carlsson, 1999) Some of these included the movement of planned investments from other low salary countries to South Africa. (Resare, 2010)

However the SA president had many and strong opponents of the deal who argued that the money should instead be used for more vital projects, such as important social reforms and infrastructure projects. Vice President Thabo Mbeki assured the public however that there would still be enough money to continue with important projects, such as building projects for the poor (Resare, 2010). The promised offsets here likely worked as a justification to the public and the critics for the large purchase.

Corruption allegations

The British Serious Fraud Office (SFO) suspected Saab and BAE, through tax havens, of transferring large amounts of money to South African decision makers. Plenty of evidence traces back to a businessman by the name of John Bredenkamp who allegedly worked as an agent to facilitate these payments. What makes Bredenkamp most suspicious are the large amounts of money (SEK 460M) that had been transferred to his company from BAE owned companies. He admitted that his company had been involved in the Gripen-affair but that he personally had nothing to do with it. (Resare, 2010).

5 million SEK was paid to Moses Mayekiso, one of South Africa's most famous trade union leaders in the year of 2000, allegedly in order to sway the leading party (ANC) to favor the Gripen (Gummesson, 2018).

8.4.5 France - India

The Indian Ministry of Defence initially chose the Dassault Rafale to supply the Indian Air Force with 126 aircraft. The initial reasons for choosing the Rafale were only based on technical and commercial factors and would and would not take any consideration into geo politics or external factors. The Rafale was said to be the most economical option over a 40 year period (Pandit, 2012).

The initial plan was for France to build the first 18 jets while the rest would be produced in India by Hindustan Aeronautics Limited (HAL) after a transfer of technology. However, negotiations dragged on due to disagreements over cost and warranty for aircraft produced by Hindustan

Aeronautics Limited. So in April 2015, Indian Prime minister Modi announced that India would purchase of 36 Rafales, all fully built in France (Deutsche Welle, 2021)

India and France signed a memorandum of understanding for the acquisition in January 2016, and in September 2016, India and France signed an inter-governmental agreement for the acquisition of 36 aircraft.

Offset agreements

The agreement included a 50% offset clause, which required the companies involved to invest 50% of the contract value back into India. (Rajat Pandit, The Times Of India, 2012) Dassault invested the funds into Reliance Group and created a joint venture named Dassault Reliance Aerospace Limited to focus on aero structures, electronics, and engine components (Deutsche Welle, 2021).

Dassault Reliance Aerospace Pvt. Ltd. is a joint venture between Reliance Group and French aircraft manufacturer Dassault Aviation. Within a year, the joint venture hopes to start producing the aircraft, delegating work to 100–300 micro, small, and medium-sized businesses in order to establish an aircraft supply chain (Tarun & Shukla, 2016).

Corruption allegations

The €7.8 billion arrangement has nevertheless been dogged by allegations of corruption and favoritism. France opened a legal investigation into the allegations of corruption on July 2, according to the National Financial Prosecutors' Office (PNF). The probe was started by a revelation on the French investigative website Mediapart that claimed an intermediary who helped Dassault complete the transaction received "millions of euros in concealed commissions." The article also implied that some of the money might have gone toward paying off Indian authorities. However, Dassault insists that its audits have not turned up any evidence of financial misconduct (Deutsche Welle, 2021)

Due to accusations of corruption and partiality, Narendra Modi's (Prime minister of India) Rafale agreement has generated controversy. Reliance Aerospace, a business with connections to Modi and no background in aviation, has come under fire for taking HAL's place as the deal's Indian partner. Concerns have also been raised about the offset clause in the agreement, which requires Dassault to put 50% of earnings back into India's defense industry even though Reliance Aerospace is said to stand to gain a lot from it. Despite requests for a joint parliamentary committee to look into fraud claims, the Indian Supreme Court has disallowed such inquiries (Majumdar, 2021).

In response to suspicions of corruption and favoritism, France has launched a legal probe into the sale with India. The investigation was started by France's national financial prosecutors' office (PNF) in response to a revelation from the investigative website Mediapart that claimed "millions of euros in hidden commissions" were paid to a middleman who assisted Dassault Aviation in closing the deal. According to the study, some of the funds may have been used to corrupt Indian government officials. Dassault Aviation has insisted that their audits have not turned up any evidence of financial misconduct (The Indian Press, 2021).

French magistrates started looking into allegations of corruption in the Rafale agreement in September 2022, but they were denied access to secret papers pertaining to the contract discussions by France's Ministry of the Armed Forces and Ministry of Foreign Affairs (Philippin, 2022).

8.4.6 France - Croatia

Croatia were looking to replace their aging soviet-era MiG-29s. The competition consisted of new F-16 Block, new JAS-39 Gripen C/D:s, used Dassault Rafale's and used Israeli F-16 Barak's. In 2021, a state-to-state agreement was reached for Croatia to purchase 12 used Dassault Rafale fighter jets from the French Air Force during French President Emmanuel Macron's visit to Croatia, the first by a French head of state since Croatia achieved independence (Vladislavljjevic, 2021).

This all-inclusive purchase, worth EUR 999 million, comprises the aircraft as well as any necessary equipment and a specially designed training program for the Croatian Air Force. Also, the logistics support contract includes all necessary resources for three years, such as extra spare parts, guaranteeing the Croatian military the lowest cycle-cost feasible (Dassault Aviation, 2021). The deal with Croatia is seen as boosting bilateral ties between Paris and Zagreb (Tran, 2021).

Beyond the immediate regional concerns, Croatia's decision to purchase the Rafale might pave the way for tighter ties with France and other NATO allies. But critics of the deal deem the purchase as unnecessary for a country like Croatia and believe the deal should be about just strengthening the political ties with France and NATO (Newdick, 2021).

Croatian Prime Minister Andrej Plenkovi reacted to the government's decision to accept the French offer by saying: “All bidders had the same treatment, all four offers were considered and the chosen offer is the best in terms of price. As regards the quality of aircraft, this is the best solution for Croatia in the long run.” He then added; “France is a member of the EU, it is its sole nuclear power after the UK’s exit, it is a member of NATO and the only EU country that is a permanent member of the UN Security Council. And later “It is a country with which we signed an agreement on strategic partnership in 2010 and I am confident that this decision will help enhance our partnership and bilateral relations” (Airforce Technology, 2021)

Offsets & Corruption

No offsets have been found as a part of the deal and no allegations of corruption have surfaced.

8.4.7 France - Indonesia

In light of the rising China-US tensions in Southeast Asia, Indonesia sought to modernize its outdated fleet, which mostly consisted of American F-16s and Russian Sukhois. Its fleet of aircraft needed to be updated immediately, and the Russian Sukhoi Su-35, the Swedish Saab Gripen, the American F-16, and the Eurofighter Typhoon were among the leading candidates.

In 2022, Indonesia signed a contract with France to buy the first 6 of 42 Dassault Rafales, in total worth about USD 8.1 billion. This deal comes after France and Indonesia strengthened a

partnership agreement with each other after a visit by the French Foreign minister, Jean-Yves Le Drian, to Indonesia. (France 24, 2022)

Offsets

According to Dassault, the agreement offers the option for local participation in the manufacturing of the aircraft, engines, avionics, and other technologies through partnerships with Safran and Thales, as well as significant industrial benefits for the Indonesian industry (mix between Direct and Indirect offsets). The maintenance, repair, and overhaul services for the Rafale aircraft are anticipated to be managed by the Indonesian aerospace contractor PT DI (Newdick, 2022).

Political significance of the deal

France gains from the recent Rafale sale by increasing its footprint in the strategically important Asia-Pacific area. The recent loss of an Attack Class Submarine contract with Australia, which was chosen instead by the Australia-UK-US (AUKUS) strategic alliance, makes this development all the more welcome for France (Newdick, 2022). The partnership agreement also included a new submarine development cooperation and ammunition, thus making Indonesia the biggest military procurement client for France in the Southeast Asia region (Hummel, 2022).

8.4.8 The United States of America - Finland

In 2021, Finland made the decision to choose the F-35 over the Saab Gripen, Dassault Rafale and upgraded F-18 Super Hornets from Boeing.

Performance criteria

The public information from this deal reveals that the F-35 received a rating of 4.47 in overall performance while the undisclosed runner up (Gripen, Rafael or F-18) received a rating of 3.81 (Dagens Industri, 2021).

Intense lobbying

Significant lobbying campaigns took part from all actors in this procurement. Various manufacturers used public relations companies, embassy staff, former soldiers, and high state

officials to aid in their campaigns. Through targeted outreach to MPs, representatives of the defense administration, the press, and business executives, lobbying attempts are being made to persuade Finnish decision-makers of the superiority of their aircraft (Yle, 2016).

Members of Finland's parliamentary defense committee have been given the chance to meet with fighter jet manufacturers at air shows. There are worries that military commanders could be singled out, despite the fact that some MPs oppose meeting with lobbyists outside of committee rooms. However, according to former Air Force Commander Lauri Puranen, the officers are probably giving the manufacturers valuable military expertise, and he has taught them to be wary of attempts to sway their judgments during the tender process (Yle, 2016).

Scandals and corruption

The Finnish Defense Ministry released a report stating that former Chief of Defense Jarmo Lindberg violated a rule that says that he couldn't accept any consulting work in military and defense matters for a period after leaving his position as Chief of Defense. He broke that rule and joined Lockheed Martin (the producer of the F-35) as a lobbyist for the 10-billion-euro deal (The Nomad Today, 2020). With his insight into the procurement processes and contacts at the highest level, it is plausible that he influenced the outcome of the deal and that can be seen as a kind of corruption.

Offsets

The deal would secure around 4500 people years of direct employment while another 1500 people would indirectly get work from this deal. An estimated 100 of these jobs would be related to manufacturing by the Finnish defense company Patria, who will be responsible for building front-fuselages and other structural components (Patria, 2021)

8.4.9 The United States of America - Slovakia

Slovakia opted to buy 14 F-16 Block 70/72 aircraft in July 2018 for 1.589 billion euros, which also covers logistics, ammunition, and training for 160 military personnel and 22 pilots. On the surface, this looked promising for Saab as neighbors Hungary and the Czech Republic both use the Gripen. This was seen as positive because they could then share maintenance and pilot

training between the three countries (Jancarikova, 2018). Official reasons by the Slovakian Ministry of Defense of the decision were that the F-16 would be cheaper and more quickly delivered. The agreement also covers the purchase of 14 F-16 Block 70/72 jets, ammunition, training for pilots and ground crew, logistical support, the completion of infrastructure, and other operating costs through 2040 (Slovakian Government, 2018).

Performance criteria

According to Peter Gajdo, the defense minister, the choice was made after careful consideration, with the F-16s providing the best value in terms of cost, quality, and capabilities. Over a 30-year aircraft lifespan, the US offer was 8% less expensive than the Swedish JAS-39 C/D Gripen offer (Doka, 2021).

Political involvement / Strategic partnerships

The decision, according to Prime Minister Peter Pellegrini, was driven by the purchase's economic benefits, while Deputy Prime Minister Peter Kaimr underlined the value of a government-to-government relationship. *"For me, it is very important that it is a government-government relationship. This means the government of the Slovak Republic and the government of the United States of America, no intermediaries. That's really key for me."* (Slovakia Government, 2018). This quote signals that the US-government was more involved in the deal compared with the Swedish government.

Offsets

There are no known existing offset agreements related to this sale.

8.4.10 The United States of America - Switzerland

In September 2022, the Swiss government formally announced its choice for the F-35A by signing a contract for its purchase. In accordance with the contract, 36 F-35A aircraft will be purchased and delivered between 2027 and 2030 (Lockheed Martin, 2023).

Performance criteria

Unlike many of the other F-35 buyers, Switzerland is neutral and not a part of NATO. Despite this, they still chose the F-35 over the Gripen and other competitors. The Swiss council stated: "The candidate promising the highest benefit was also the one priced the lowest," "In the case of the fighter aircraft, this candidate is the F-35A" (Switzerland Government, 2023). Also according to the swill officials, The F-35 demonstrated the greatest overall benefit with 336 points and was the undisputed victor with a lead of 95 points or more over the other contenders. In three of the four primary criteria considered, this aircraft performed the best. Effectiveness, product support and cooperation were the F-35 winning point while it did not score the highest in its offset-agreement proposal. Moreover, the F-35 has the lowest operational expenses of all the contenders considered. The F-35's total costs over a 30-year period, including procurement and operating expenses, come to about CHF 15.5 billion. Around CHF 2 billion less than the second-lowest bidder, to be exact, according to Swiss officials.

Offsets

Offset agreements worth CHF2.9 billion were arranged as part of the agreement and penalties for not fulfilling these offsets were embedded into the contract value (Mangin, 2022). The Swiss Senate's Control Committee will monitor a rigorous and open evaluation of the offset agreement procedure. About 30% of these offsets are direct offsets, meaning orders from Lockheed Martin to Swiss enterprises in connection with the purchase of aircraft.

Political involvement

Before the decision was made, American President Joe Biden met with his Swiss counterpart and lobbied for US companies (Revill & Hephher 2021). The F-35 acquisition represents a significant shift for Switzerland as it pursued greater connections with Washington at a time when relations between the EU and Switzerland were not at its highest (Sobrero, 2021).

Referendums

Switzerland has a history of utilizing public referendums to get support for large fighter jet purchases, which severely politicizes the procedure. The Swiss Air Force's F-18 was to be replaced by Saab's Gripen, which won the competition in 2011. However, the acquisition was put

on hold in 2014 when Swiss voters narrowly rejected a funding proposal. As a result, the contract was annulled, and a new bid and referendum were added. By a narrow margin of 50.1% in 2020, Swiss voters approved a \$6.5 billion plan for new fighter planes (Sobrero, 2021).

Criticism

Critics of the deal have emphasized that the F-35 with its 5th generation capabilities such as stealth capabilities is not necessary for a country with the geopolitical position of Switzerland which primarily uses its Air Force for air policing (Sobrero, 2021).

It becomes evident that this was a more political choice than based on aircraft performance.

8.4.11 The United States of America - Poland

Around the year of 2003, Poland was planning on buying new fighter jets to move away from their aging fleet of Soviet-built MiGs. The United States competed with F-16, France competed with their Mirage 2000 and Sweden were in the race with the JAS-39C.

Offsets

Besides looking at the technical aspects of the three options, the corresponding offset agreements were of grand importance for the Polish government. Poland had expectations that their offsets offered would develop Polish industry, develop Polish research and development centers and create new jobs, especially in regions that had high unemployment. (Seguin, 2007).

Dassault offered offsets to the value of 2,1 billion USD. Saab offered the offset value of 4,7 billion USD (including final assembly in Poland that would create more than 50 000 direct and indirect jobs) while the Lockheed Martin offset was valued at 9.8 billion USD (Seguin, 2007). Projects within the offset program included a plant set up by General Motors in Poland and advanced communication systems by Motorola for the public services of Poland (F16.net).

Strategic partnerships

Kai Olaf Lang, a specialist on Central and Eastern Europe at the German Institute for International and Security Affairs said this after the deal: "Poles view the U.S. as the only realistic guarantee against something going wrong in Russia. (NBC news, 2004). Looking at the

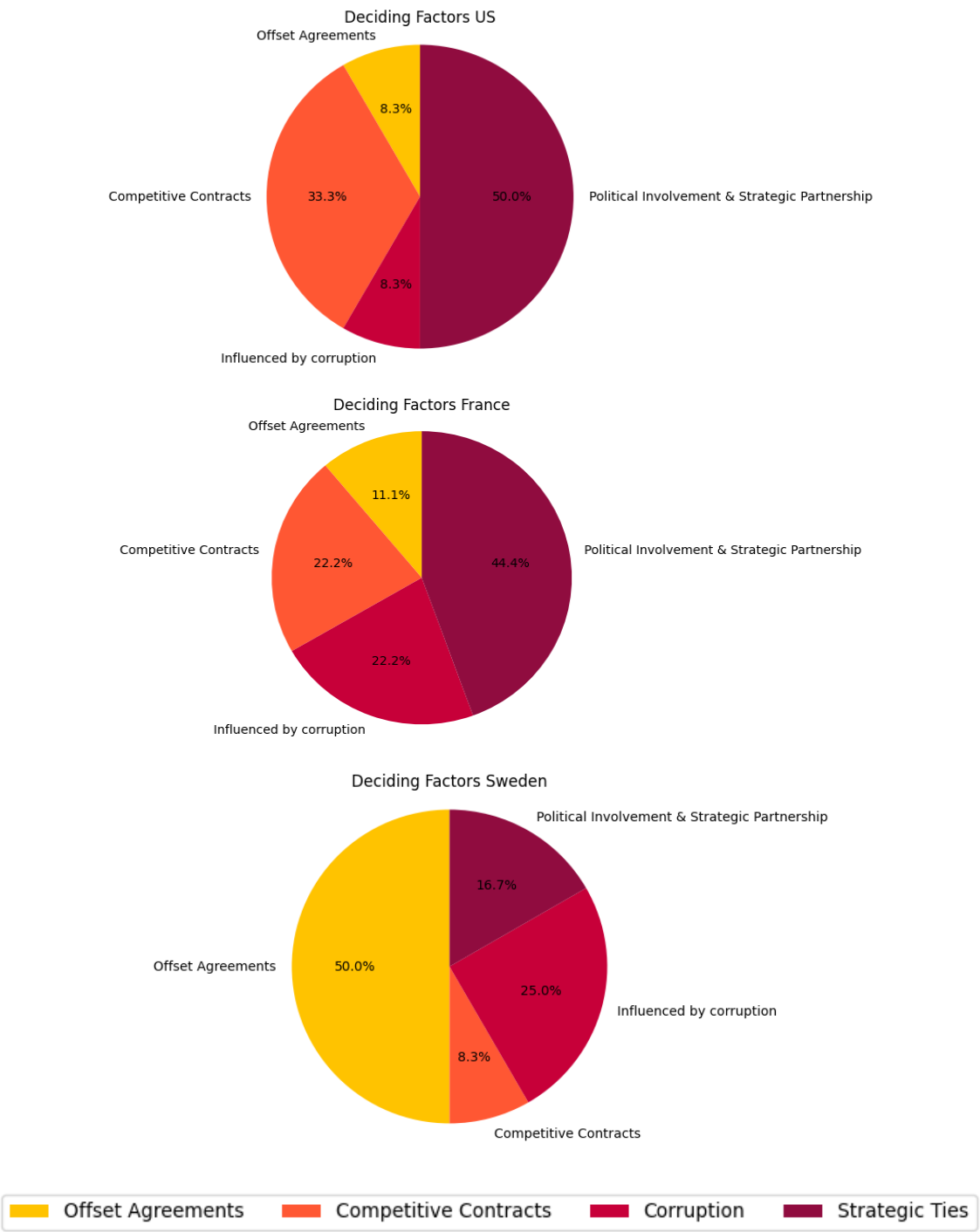
history of Poland, it is natural that they have trust issues with their European neighbors, even though they are a part of the EU. This deal gave Poland a strong connection with the United States, which was a key component of their national security strategy (Seguin, 2007).

9. Findings / Summary Table on Deciding Factors:

Selling Country	Buying Country	Primary Variable (X=1)	Secondary Variable (Y=0.5)
United States	Poland	Political involvement / Strategic partnership	Offset agreements
	Switzerland	Political involvement / Strategic partnership	Competitive contract
	Finland	Competitive contracts	Influenced by corruption
	Slovakia	Political involvement / Strategic partnership	Competitive contracts
Sweden	South Africa	Offset agreements	Influenced by corruption

	Thailand	Political involvement / Strategic partnership	Competitive contracts
	Brazil	Offset agreements	Influenced by corruption
	Czech Republic & Hungary	Offset agreements	Influenced by corruption
France	India	Influenced by corruption	Competitive contract
	Croatia	Political involvement / Strategic partnership	Competitive contract
	Indonesia	Political involvement / Strategic partnership	Offset agreement

10. Data-table visualized



11. Discussion

11.1 Deciding factors

Our research shows that a complex web of geopolitical, economic, and technical factors influences the global jet fighter market. Sweden, for instance, heavily relies on offsets, which are frequently the subject of serious allegations of corruption, to win contracts. According to research, offsets are almost always associated with unethical business practices. This assertion is supported by the numerous prosecutions and convictions related to deals involving Saab and the unfavorable effects of offset-programs - as will be showcased below.

Conversely, the United States and France tend to secure deals more through the strengthening of strategic partnerships and the superiority of their products. These countries are dominating the market with their top-notch goods and alluring military and partnership opportunities, overshadowing smaller, geopolitically weaker countries like Sweden. In this highly competitive environment, corruption becomes a tool for Sweden, masked as "offsets".

Despite Sweden's public image of promoting peace and neutrality, Saab has received extensive governmental support in selling the Gripen, as evidenced in the cases of South Africa, Brazil, and Thailand. However, this governmental backing isn't sufficient to level the playing field against manufacturers from geopolitical powerhouses such as France and the United States.

The heaviest factor that influences jet fighter acquisitions appears to be geopolitical strength. Both France and the United States, with large economies with significant militaries and strong governmental support for their arms industries, are formidable competitors. Their membership in NATO and having permanent seats in the UN Security Council further probably enhances their standing.

11.2 Saab's offset programs

Offset agreements are a large contributing factor to Gripen deals. This section will showcase Saab's offset programs, concentrating on elements that influence whether they have been successful or unsuccessful.

Reports have shown that the Gripen offset-program in the Czech Republic turned out to be in line with the objectives with the Czech Republic (Lazar, 2019). In Hungary however, the results are not as bright so we will dive deeper into that case. In accordance with the original Hungarian offset agreement, counter-trade agreements were supposed to be finished in 14 years (2001–2015). The initiative was still completed in just seven years, possibly as a result of two factors: the Swedish government's desire to hasten the procedure ahead of media scrutiny and the Hungarian government's need to hasten investments amid the 2007–2008 financial crisis (Lazar, 2019).

In the case of Hungary, the project may have benefitted Sweden and Swedish companies more than Hungary in itself. Electrolux, which is owned by the same firm as Saab (Investor AB) , made over 80% of all investments made in Hungary through the project. This was controversial given the government's original objectives. The investment created jobs in Hungary as Electrolux closed its facility in Västervik, Sweden, and shifted manufacturing to a Central European country with lower labor costs; yet, from a Swedish perspective, it was essentially a conventional production outsourcing exercise. And this decision was made before the announcement of the victory of the Gripen. Ericsson was the second-largest actor in the Hungarian Gripen offset, starting the technology transfer and establishing jobs. The project, however, wasn't situated in a region that had been given top priority (Lazar, 2019)

The Hungarian government gave offset initiatives higher priority in areas with right-wing mayors than in less developed areas. This shows that rather than emphasizing the least developed areas for regional economic development, the administration sought to direct resources to cities run by the ruling party. (Lazar, 2019)

An important role was performed in Hungary by Alfons Mensdorff-Pouilly, a lobbyist for the defense sector who was found guilty of corruption in this case and who asserts to have affected Sweden's investment choices. He suggested Electrolux move its investment from an underserved area to a more established metropolis because of the cheaper expenses and simpler access to the labor force (Lazar, 2019)

Thus putting Swedish objectives of the offset agreements ahead of the Hungarian ones.

Government management of the Czech Gripen transaction led to more observable outcomes as a result of specified goals and procedures. The Ministry of Defence was able to contribute funds to the Czech defense sector because they already had relationships with them. Public sources provide evidence of the program's success (Lazar, 2019).

11.3 Why are some offset programs more successful than others?

The offset programs in the Czech Republic and Hungary were implemented differently, leading to more success in the Czech Republic.

These were the main reasons why the Czech offset program was better implemented:

- Clearer goals and procedures: The Czech program was more deliberate, with pre-set goals, dates, and targets, which contributed to its success.
- Different government management: The Czech program was run by the Ministry of Defence, while the Hungarian Gripen agreement was under the control of the Ministry of Economy.
- Different use of funds: In the Czech Republic, funds were allocated to the defense sector, whereas the Hungarian offset resources were swiftly depleted.
- Wider involvement of businesses: The Czech case included counter-trade across the entire nation with many small and medium-sized businesses participating, while only a few enterprises in a limited number of regions had the opportunity to participate in Hungary.
- Better distribution of investments: The territorial distribution of investments was coordinated in the Czech Republic, unlike in Hungary.
- A notable distinction between the offset agreements of the Czech Republic and Hungary lies in the prevalence of direct offsets in the Czech deal, compared to the exclusively indirect offsets in the Hungarian case. Initially, investment was planned for the Hungarian defense sector, but ultimately, it was excluded. In contrast, the Czech defense sector became partially involved in the construction of Gripen Aircrafts (Defense-Aerospace, "Aero Signs Contract with Saab on Gripen Pylon Production"). This disparity may be attributed to the fact that the Czech Republic's entire offset program was managed by the

Ministry of Defense, while Hungary's program fell under the jurisdiction of the Ministry of Economy. (Lazar, 2019)

Government management of the Czech Gripen transaction led to more observable outcomes as a result of specified goals and procedures.

The offset agreement for the Hungarian Gripen contract gave struggling businesses short-term assistance, but it did not achieve long-term economic gains or accomplish its initial goals.

Hungarian businesses were unable to enter Western markets or form successful alliances with their Swedish counterparts. Successful implementation was hampered by a lack of experience and familiarity with complex business structures (Lazar, 2019).

A number of offset benefits, including a net positive return on the investment and the creation of more than 65,000 jobs, were promised (McNeil Jr., 1998). However, a 2004 study by J. Paul Dunne and Gay Lamb found that these expected advantages were never fully attained.

Saab submitted a list of 26 offset deals, which were civil investments in the South African economy, to secure the order, which included 28 Gripen. However, many of the offset arrangements that were disclosed turned out to be false or overstated. Five years later, 21 of the initial 26 initiatives have either been abandoned or rejected (Karlberg, 2005).

Investments by ABB and Electrolux were among the offerings that lacked a solid foundation. Although sincere, the investments had nothing to do with the Gripen agreement. They were either previously made or included in the internal planning of the businesses. According to Ekot, Saab had to replace the unsuccessful projects with new ones. In contrast, Saab contends that Ekot's assessment is unreliable because they have already fulfilled their 20 billion in promises, the government is happy, and there is no indication that anything went wrong. According to Ove Wagermark, Director of Information at Gripen International, they even won accolades for exceeding expectations in the most recent annual report. (Karlberg, 2005)

South African Royal Manufacturers (SARM), was a project of the BAE Systems/SAAB collaboration that was mandated in the offset-agreement. The BAE Systems/SAAB consortium

provided funding for SARM, a gold chain manufacturing facility in Virginia that collaborated with Harmony Gold Mining Company. Due to claims of gold theft and the abrupt firing of 500 underprivileged black rural women, the firm failed within a year. (Wellmann, 2010)

The offset data that was made public after the Arms Deal's NIP programs show a huge gap between the offset credits that were granted and the actual investments that businesses made in South Africa's economy. Defense manufacturers were able to claim credits much in excess of their financial outlays thanks to the use of package deals, multiplier manipulation, and unduly lenient causality interpretation. Even though exact figures are not available, the economic impact was considerably lower than anticipated. Exuberant assertions regarding the economic impact and usefulness of civilian/indirect offsets should be viewed with caution and skepticism, as highlighted by the South African experience in handling offset programs for significant defense purchases (The Economics of Peace and Security Journal, 2020)

11.4 Corruption by Swedish companies abroad

In light of the fact that this is how business is done in some parts of the world, one can question whether the Swedish government is actively ignoring certain practices in order for its industry to thrive. In the past, Swedish businesses have been involved in corrupt activities in developing nations including Uzbekistan, Vietnam, Djibouti, and Indonesia (Warnerfjord, 2021).

The World Bank's "Black List" lists 13 Swedish corporations for engaging in corrupt practices (SVT, 2020)

The Organization for Economic Cooperation and Development's (OECD) anti-bribery convention has been a part of Swedish law since 1999, and the organization have in their reports condemned Sweden's stance on corporate bribery of foreign officials. According to OECD, in Sweden, businesses are not frequently held accountable for their use of corruption

The Sociologist Daniel Wasterfors researched the behavior of Swedish businesses in Eastern Europe. He has noted that a widespread justification is the belief that accepting bribes overseas is necessary since it is just how business is done. This kind of thinking frequently results in

boundary crossing without inhibition. "One common defense is that bribes are a necessity abroad, that it's simply the way business is done".

Christer Van der Kwast, the former Swedish anti-corruption chief, adds that in order to combat corruption in a world that is becoming more and more globalized, it is crucial to acknowledge that nations like Sweden are contributing to the issue. By acknowledging the problem, wealthier countries will be more likely to contribute to the solution and fight to stop corruption from getting worse (Ekman, 2007).

In conclusion, it is not uncommon for Swedish companies to engage in corruption abroad, as evidenced by their history of involvement in corrupt activities in developing nations.

11.5 Investor AB and their influence of Offset-agreements from Saab

When it comes to offset-agreements, Saab could be enjoying a competitive advantage versus its competitors due to the fact that Saab is controlled by Investor AB, who also control other world-leading companies in various industries. This allows Saab to be very agile and generous in their offerings as they are able to offer offset packages that appear to be in line with the objectives of the offset agreements, but may actually primarily serve the interests of the companies controlled by Investor more so than those of the receiving countries

Investor AB backed companies often have outsourced its production to the countries that bought or potentially will buy the Gripen, making the implementation of the often already planned projects of those companies into the offset contracts very easy. As they are also prone to using corruption as a means of securing the contracts creates a “perfect” situation for Saab. For the taxpayers it sounds like they are receiving a good deal (jobs created in the country), the politicians are happy because their country is receiving opportunities and/or they have received bribes. The losers from this arrangement are ultimately the tax payers of the buying country.

For example, the Investor AB-owned firms ABB and Electrolux were among those in South Africa that offered offset investments. However, the investments were either already done, in-progress or existed within the internal planning of the companies, well before the Saab

included them in the offset-investments. ABB's representative expressed surprise that Saab's offset arrangement encompassed their internal initiatives. (Karlberg, 2005) This suggests that Saab, under Investor AB's leadership, appears to have a great deal of discretion in delivering significant offset investments without any coordination across the different firms it owns.

In the case of Hungary, Investor AB-controlled companies accounted for 90% of the entire offset value. More than 80% of the investments made in Hungary as part of the initiative were made by Electrolux. Electrolux engaged in outsourcing of its production by closing its facility in Sweden and moving its manufacture to less expensive Hungary. The choice was made far in advance of the announcement of the Gripen triumph, thus obscuring the relationship between the investment and the defense contract (Lazar, 2019)

Another important participant in the Hungarian Gripen offset, Ericsson, opened their Global Service Delivery Centre in Budapest. The project was not, however, situated in a region that had been given priority by the government, again, raising the question whether this was a decision that was designed more to benefit Ericsson than respecting the offset demands in the agreement. However, in the end, the project created jobs, and, via its research and development-related activities, initiated technology transfer as well (Lazar, 2019). Looking at this, it appears that these Investor AB-controlled businesses and Sweden benefited more from the offset initiatives than Hungary itself.

Time will tell how the actual results of the offsets in Brazil will turn, but the conditions are similar to those of South Africa and Hungary with the multitude of Swedish companies established there, many of them owned by Investor AB.

12. Conclusion, recommendations and suggestions for future studies

The international jet fighter industry is a complex web, intertwined with geopolitical, economic, and technical variables. Powerhouse nations such as the United States and France leverage strategic alliances and superior product quality, while Sweden's Saab heavily depends on offset agreements to secure contracts. These agreements, despite their strategic importance, are often clouded by allegations of corruption and unethical conduct.

The data reveals an intricate relationship between defense exports and foreign policy. Strategic alliances are crucial in clinching deals, and offset agreements offer economic incentives to potential buyers. Interestingly, companies under the umbrella of Investor AB, which also oversees Saab, seem to benefit disproportionately from offset agreements, intensifying the ethical concerns. However, offsets' frequent association with corruption underlines the need for enhanced transparency and accountability.

In essence, while offset agreements and strategic alliances are integral to international defense trade, the specter of corruption and ensuing ethical issues necessitate a reformed, transparent, and ethically conscious approach in the global jet fighter industry.

Turning to the Gripen's case, increased political and governmental support may not automatically translate into a competitive edge against powerhouses like the US and France. Historical patterns suggest that, for Gripen's future export success, there may be more instances of unethical conduct, despite the level of support from the Swedish government.

The issue of corruption, especially in the context of Saab and the Swedish government's engagement in international arms trade, is a delicate matter demanding careful consideration and well-thought-out strategies.

The national interest in Gripen's global success could potentially conflict with the pursuit of ethical business practices. Gripen, a symbol of Swedish ingenuity, is not merely a product. It significantly drives Sweden's economy, creating a paradox where the very success bolstering the economy could perpetuate unethical practices in international relations.

The Swedish government, likely aware of this delicate balance, may find itself in a precarious position, forced to overlook certain questionable practices to safeguard national interests. This conflict between ethical considerations and economic needs underscores the complex nature of geopolitics and international commerce.

Acknowledging this problem is the first step towards a solution. Enhanced transparency in Saab's dealings, coupled with rigorous anti-corruption measures, could herald a more ethical international arms trade. Sweden could also aim to diversify its economic portfolio to reduce dependence on the arms industry, alleviating pressure to compromise ethical standards for economic benefits.

These recommendations, while promising, are not without challenges. Implementing them would likely encounter hurdles. Nevertheless, they signify a shift towards a world where products like the Gripen can succeed without sacrificing ethical norms and principles in international relations.

In conclusion, these findings show that jet fighter deals are intrinsically linked to foreign policy, with strategic alliances significantly impacting these deals. Offset agreements are a key tool in landing deals, offering economic incentives to the buying countries. However, the presence of corruption calls for greater transparency and accountability in these transactions, which is crucial for maintaining trust, integrity, and competitive fairness in the global arms industry.

Future studies should explore these dynamics more closely to get a better understanding of their implications and to develop strategies for more equitable and ethical and defense trade practices.

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