

## **The EU Code of Conduct fails to prevent Austria transferring rifle production to Malaysia**

This case study demonstrates that the EU Code of Conduct on Arms Exports has failed to control the licensed production of small arms.

In April 2004 a deal was announced between the Malaysian government and Austrian gun-manufacturer Steyr Mannlicher for the licensed production of military weapons and a new assault rifle in Malaysia. This agreement transfers fully the license to manufacture and export Steyr rifles and pistols in the global market to Malaysia.<sup>1</sup>

This allows Austrian-originated products to be manufactured outside the EU. Any subsequent exports from Malaysia would not be subject to the EU Code of Conduct on Arms Exports, thus allowing these products to be exported to many destinations which would not have received an export licence if the goods had been produced in Austria. Thus the controls embodied in the EU Code have effectively been circumvented.

Such concerns are reinforced by statements by the Malaysian government that this deal "advances its plan to make this Southeast Asian country a major supplier of military small arms".<sup>2</sup> Indeed, Defense Minister Najib Razak was reported as saying that Malaysia expected to soon be exporting Steyr's new AUGA3 rifle to more than 40 countries in Asia, Africa, Europe and the Middle East: "Malaysia is now poised to become one of the leading manufacturers of military rifles and pistols in the world"<sup>3</sup>.

Malaysia has produced Steyr's AUGA1 for local military use under contract since the early 1990s. Under the new agreement, Malaysia will make Steyr's latest model, the AUGA3. The rifles will be made by a new company, Steyr-Mannlicher (M) Sdn. Bhd., a joint venture of Malaysian manufacturer National Aerospace and Defense Industries (NADI) and the Austrian company. Christian Simku, Steyr's regional sales manager is reported to have stated that the company would produce between 15,000 and 20,000 assault rifles per year.<sup>4</sup> Chee Eng Boon, chief executive officer of SME Aerospace Sdn Bhd, a unit owned by Nadi, told reporters that the production of the Steyr AUGA3 rifle would begin by the end of the year.<sup>5</sup>

Under the agreement, Steyr's production of military weapons in Austria would be relocated to Kuala Lumpur, while the Austrian plant would retain the manufacture of hunting, civilian and precision weapons. The Defence Minister also claimed that: "this transfer of technology from Austria will enable this country [Malaysia] to shorten its learning curve and leap forward in the manufacturing of small arms. "This will help in our efforts to become the center of excellence in the small arms industry."<sup>6</sup>

Moreover, it is unclear to what extent Malaysia takes human rights concerns into account before authorising arms exports. Accordingly, an increase in export capability could have serious consequences for human rights in the region and beyond. For example, Malaysian security forces have a history of repression which continues to this day. In its 2004 Annual report Amnesty International documented

how: “reports of unlawful killings, torture and ill-treatment of criminal suspects by police continued”.<sup>7</sup>

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<sup>1</sup> Austria to shift assault rifle Steyr production to M'sia, 12<sup>th</sup> April 2004, Malaysiakini, <http://www.malaysiakini.com/news/19513>

<sup>2</sup> Malaysia set to become leading small arms maker, Associated Press, 13<sup>th</sup> April 2004

<sup>3</sup> Ibid

<sup>4</sup> Associated Press, Opp. cit

<sup>5</sup> Malaysiakini, Opp. Cit

<sup>6</sup> Associated Press, Opp. cit.

<sup>7</sup> Malaysia entry in Amnesty International 2004 Annual Report, <http://web.amnesty.org/report2004/index-eng>