

# Nordic Trade Policy in the 1930s

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## **Abstract**

*This paper is dealing with the Nordic trade policy in an international setting - on three levels. On the international level it can be studied how and to what extent a Nordic attitude and Nordic actions were accomplished in an international setting such as the League of Nations. It's possible to study how the Nordic states - together with the Benelux-countries - tried to liberalize the international trade in the 1930s. Secondly, there is a national level: the trade agreements with other nations, especially the most important ones: Great Britain and Germany. Thirdly, there is the level of the lines of business: it will discuss two important business organizations striving for acceptable conditions in the fierce competition of world trade, one on the import side: coal and one on the export side: paper. Especially on the third level small states have the possibility to be successful, as the elite of industrialists and capitalists is rather small and often utilized by the governments to attain better results in international trade.*

## **1. Introduction**

Nordic trade policy in the 1930s can be discussed on three different levels. Firstly, there is the international level - how and to what extent a Nordic attitude was seen and Nordic actions were accomplished in an international setting such as the League of Nations and but also as results of international settlements such as the Oslo convention in 1930 and the negotiations following the Ottawa agreement in 1933.<sup>1</sup> Secondly, there is a national level: trade agreements with other nations, especially the most important ones: Great Britain and Germany. Thirdly, there is the level of the lines of business: it will discuss two important branch organizations striving for acceptable conditions in the fierce competition of world trade after the Great Depression. It will look at one branch on the import side, fossil fuel, and one on the export side, paper. In this paper exchange and currency questions will not be commented on, even if they of course are of very big importance.

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<sup>1</sup> There is a very detailed presentation of the Oslo convention, its members, meetings and results of the meetings. Ger van Roon, *Small states in years of depression. The Oslo alliance 1930-1940*. Assen/Maastricht 1989.

To focus on the Nordic states could be interesting, since you can follow the aspiration for Nordic cooperation and collaboration in trade policy right back to the beginning of the 20<sup>th</sup> century, when Norway and Finland became two new independent states on the European arena. And in the interwar period - in the Oslo convention and in international affairs - the Nordic states acted together with the Netherlands and Belgium-Luxemburg to get a liberalized international trade and to achieve better results for themselves.

Small states as the Nordic are more dependent on foreign trade than big states are. Consequently, they are “directly effected by the fluctuations of the international economy”.<sup>2</sup> But there are at least three possibilities for small states to keep up with the international competition. Firstly, by specialising in a few branches in which they have distinguished possibilities to be strong: mining, shipping or some specialised production such as electrical equipment et cet. Secondly, if a small country has a primary product of strategic and high value, such as nickel and molybdenum, it can use this advantage to get more favourable trade agreements with great powers, even if the demand is rather small. And thirdly, small states can be competitive, in order to get economies of scale, by cooperation with other small countries having similar production profiles and the same trade interests.

#### Some general economic trends in Europe

The period between the First and the Second World War was politically and economically very turbulent for all European countries. Great Britain was by far the leading economic power in Europe, and was dominating the foreign trade of most European countries, but after a few years Germany was regaining strength and advanced as the second best in this sense. The 1920's was a time of mixed features. At first, the nations tried to return to the situation before the war, a period characterized by a functioning gold standard and free, unrestricted international trade. But the aftermaths of the First World War had created a deepening distrust and political opposition between Germany on the one side and France, Belgium, The Netherlands, Great Britain and Poland on the other. So the 1920's soon became a period filled with severe trade conflicts, for instance the coal trade stoppage between Germany and Poland in the summer 1925.<sup>3</sup> Then followed a strike among the English coal mine workers which stopped production for several months, and by this other coal-producing countries took the opportunity to increase their proportion of the coal and coke deliveries to importing countries.

A strengthening tariff policy spread all over Europe in the 1920's. As far as small countries as the Nordic ones are concerned this decade was exports driven and very dependent on the international markets unlike the 1930's where the domestic market demand was strongly growing and the increase in exports was lower.<sup>4</sup>

Above all the agrarian sector was in an economic crisis because of a hardening international trade competition. In the 1930s, after the great depression 1929-1932 and

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<sup>2</sup> Patrick Salmon, *Scandinavia and the great powers 1890-1940*, Cambridge 1997, p 172.

<sup>3</sup> Peter-Heinz Seraphim, "Der polnisch-englische Kohlenkampf in Nordeuropa und seine wirtschaftliche und politische Bedeutung", *Osteuropa. Zeitschrift für die gesamten Fragen des europäischen Ostens*, Jg 10 H 2 Berlin 1935, p 82; Jan Szymański, *Stosunki Gospodarcze Polski ze Szwecją w latach 1919-1939*, Gdańsk 1978, pp 32-36.

<sup>4</sup> Lennart Pettersson, *Svensk utrikeshandel 1871-1980. En studie i den intraindustriella handelns framväxt*. Lund 1984, p 97.

the abandonment of the gold standard, there was a common change towards bilateralization and quotation of all international trade, and the large states strived for mastering their allies and trade partners, which caused diminished or at least controlled trade. The domestic market became more important. This caused the trade conditions deteriorate, especially for small states.<sup>5</sup> But the two largest and most important states, Great Britain and Germany, utilized this situation in order to strengthen their grip on the Nordic market inter alia. However, the Nordic countries were lucky in that sense that they had valuable and desirable commodities and products to offer in international trade. For the inter-war period, despite its economic instability and chronic unemployment, was one of growth for all the Nordic economies. Between 1919 and 1939 annual growth rates averaged 2,7 per cent in Denmark, 3,0 per cent in Norway, 3,3 per cent in Sweden and as much as 5,3% in Finland.<sup>6</sup> In the 1930's Finland had a remarkable growth of 7% of GDP per year, and went from a poor agrarian state to a modern industrial state, heavily based on wood and paper exports.<sup>7</sup> As there was a strongly growing international demand for paper the exports of paper and pulp meant a lot for the Swedish and Norwegian forest industries too.<sup>8</sup> In Denmark the growth was the least very much because of its heavy dependence of agricultural exports.

In the last years before World War II all the states began to show other considerations in international trade. The German expansion at the cost of other nations made the political climate more severe. To get self-sufficiency imports were now more important than exports due to the threat of an economic blockade in case of war.<sup>9</sup>

## **2. The Nordic states and the Oslo Convention**

An international peace organisation as that of the League of Nations was very welcome by small states. For the League one thing was to carry through the peace processes between the nations according to international law. Another was to meet the demands and interests of all its member states. And some Nordic politicians played a prominent role on the international arena.

One of the most active and distinguished persons was the Norwegian prime minister Johan Ludwig Mowinkel. He was the initiator and coordinator of the Oslo convention. Another was Halvdan Koht, Norwegian foreign minister 1935-1941, professor in history, who wished that the small states of Europe should play an active part in international diplomacy as mediators towards the peaceful settlement of disputes.<sup>10</sup> In Denmark Peter Munch was foreign minister 1929-1940, professor in history, member of the Council of

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<sup>5</sup> Charles H. Feinstein, Peter Temin & Gianni Toniolo, *The European economy between the wars*, Oxford 1997, pp 146-165.

<sup>6</sup> Hans Christian Johansen et al., "Hovedlinier i den økonomiske udvikling i de nordiske lande i mellemkrigstiden" in *Kriser och krispolitik i Norden i mellankrigstiden. Nordiska historikermötet i Uppsala 1974. Mötesrapport*, Uppsala 1974, p 19.

<sup>7</sup> Riitta Hjerpe, *The Finnish economy 1860-1085, Growth and structural change*, Helsinki 1989, passim; Henrik Meinander, *Finlands historia 4*, Helsingfors 1999, pp 119-123.

<sup>8</sup> Erland Björtvedt & Christian Venneslam, "The gold standard, trade and recovery in the 1930s: The Norwegian case. *The Scandinavian Economic History Review Vol. XLVII, no:2 1999*, pp29-35.

<sup>9</sup> Bengt Nilson, *Handelspolitik under skärpt press. England och Sverige 1929-1939*, Lund 1983, pp 112-114, 151-157.

<sup>10</sup> Patrick Salmon 1997, p 186.

the League of Nations 1933-1936. He believed in the future but was concentrated on the European arena in politics. And when Finland wanted to join the Oslo states, he was rather reserved, as he regarded Finland as a friend of the French trade policy in Geneva.<sup>11</sup>

Two of the most prominent Swedish social democrats in the interwar period were delegates of the League of Nations: Hjalmar Branting 1920-1924 and Östen Undén 1921-1939. Branting was fighting for maintaining the League's authority, especially against the great powers. Thus he was a representative of the interests of small states, but at the same time his policy was related to the British consensus politics.<sup>12</sup> In the Council, the most important body of the League, Branting was replaced in 1924 by Östen Undén, who was an expert of international law.<sup>13</sup> Rickard Sandler was appointed foreign minister in 1933 and this position he kept right up to the beginning of the Second World War. He was also appointed president at the National Assembly of League of Nations in 1934.<sup>14</sup> Swedish foreign policy was in this period European politics in the first place, in the frame of the League of Nations in Geneva with peace and disarmament as primary purposes. During Sandler's period as a foreign minister Sweden got a more active foreign policy – which also included foreign trade.<sup>15</sup>

In Finland the industrialist and lawyer Antti Hackzell was foreign minister 1932-1936, when Finland joined the Nordic group politically and economically. During this time Gustaf Mannerheim had been promoted to field marshal. It was in the economic interest of Hackzell and Mannerheim (and former and later president Paasikivi) to join the "Oslo states" to get good relations to Great Britain, the great consumer of wood, paper and pulp, since they were all three closely related to the Finnish forest industry.<sup>16</sup>

In the Netherlands H. Colijn, prime minister 1933-1939, was the most active in the forming of the Oslo states. An important active role played J. A. Nederbragt, head of the economic department of the foreign ministry and foreign minister F. Beerlaerts van Blokland.<sup>17</sup> Belgium was not present at the first Oslo talks initiated by Mowinkel, but joined soon after that. It was often represented by M. Suetens, head of the economic affairs department of the Belgian foreign ministry, in those talks and also in signing the convention.

Thus it can be concluded, that at the beginning of the 1930s there was a group of leading men in the Nordic foreign ministries, with a similar background, education and experience – all wanting to cooperate to liberalize trade in Europe. Many of them were also related to leading industrialists. But there was one important difference between the Nordic states and Benelux. The Belgian and the Dutch approach to the Oslo meetings was that the agreements should also include the remaining parts of their empires, i.e. the Dutch East Indies and the Belgian Congo. And this was done in the Oslo convention.

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<sup>11</sup> Viggo Sjøqvist, *Danmarks udenrigspolitik 1933-1940*, København 1966, pp 26, 86.

<sup>12</sup> Sten Carlsson, "Internationalism och nedrustning 1920-1926" in *Den svenska historien*, Volume 14, Stockholm 1985, p 148.

<sup>13</sup> This court was replaced by the International Court of Justice in The Hague as a body of the United Nations in 1946.

<sup>14</sup> Yngve Möller, *Rickard Sandler. Folkbildare, utrikesminister*. Stockholm 1990, p 260.

<sup>15</sup> Möller, pp 252-261.

<sup>16</sup> Henrik Meinander, *Finlands historia 4*, Helsingfors 1999, p 163.

<sup>17</sup> Van Roon, pp 17-23.

### The Oslo convention 1930

The economic crisis that began in autumn 1929 caused a growing protectionism all around the world. Therefore, in spring 1930 the League of Nations called for an economic world conference, the so-called Big Custom Conference at Geneva, and as a result of this meeting an international agreement was made saying that there should be no increase in duties for one year. But this agreement was only ratified by a few countries, one of these was Norway, so it was a total fiasco.<sup>18</sup> At an assembly of the League of Nations at the end of the same year the leader of the Norwegian delegation, prime minister Johan Ludwig Mowinkel invited a group of small open countries to economic cooperation with the purpose of lowering the tariffs.<sup>19</sup> And shortly afterwards there was an agreement – the Oslo convention.<sup>20</sup> Finland wanted to join in the beginning of the 1930s. The reasons that Finland didn't try to join earlier were the following. Firstly, Finland had some very tough years after WWI. There was the civil war between the "red" and the "white", which was won by the "white". Then there was the Lappo movement, starting in 1929, which was taken care of by the government and dismantled in the following years. Finally there was a Finland leaving the Russian economic context. Finland was rapidly industrialized especially its forest industries were growing, seeing its former customers in Western Europe, Great Britain in particular.<sup>21</sup> Sweden, and foreign minister Sandler was a spokesman for Finland's membership in the Oslo convention, but the Danish foreign minister Munch was more critical, since it could be seen as an act directed towards Russia and thus disturbing the Nordic-Russian relations.<sup>22</sup> But in 1933 it was made possible for Finland to join the Oslo states.

At the beginning the Oslo alliance of 1930 was an agreement by five low-tariff small states: Norway, Denmark, Sweden, Belgium/Luxemburg and the Netherlands - in order to bring down the obstacles to foreign trade. The states had in common that they had been neutral during the First World War.<sup>23</sup> The Oslo agreements followed the principles of the League of Nations for international economic exchange and were open to all countries.<sup>24</sup> Anyhow, it seems quite clear, that Mowinkel saw the Nordic countries as the basis for the Oslo convention, and that he hoped that other like-minded nations, and not only the Benelux-countries would join the Oslo group.<sup>25</sup> Mowinkel hoped that the Oslo

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<sup>18</sup> Salmon, p 197.

<sup>19</sup> Riksarkivet, Oslo UD 1905 Arkiv Eske 3164 Oslokonvensjonen 1930: Overenskomst mellom Sverige, Danmark, Belgia, Luxemburg, Holland og Norge; Rigsarkivet, København, Udenrigsministeriet Akter ca 1909-1945. 1930-1933. Dansk-belgisk-luxemburgsk-nederlandsk-norsk-svensk konvention om økonomisk tilnærmelse I-III; Riksarkivet, Stockholm, Utrikesdepartementets arkiv, 1920 års dossiersystem, HP 2125 Skandinaviska avtal 1930, nov. 15- dec. 31 1930 VII, Oslokonferensen /Oslokonventionen den 18 - 22 dec. rörande tullöverenskommelse mellan de skandinaviska länderna, Nederländerna och Belgien/Luxemburg i dec. 1930.

<sup>20</sup> Van Roon, pp 11-23.

<sup>21</sup> Meinander pp.158-164.

<sup>22</sup> Viggo Sjøqvist, *Danmarks udenrigspolitik 1933-1940*, København 1966, pp 90-92.

<sup>23</sup> Van Roon, pp 11-12.

<sup>24</sup> Odd-Bjørn Fure, *Norsk utenrikspolitikks historie Bd 3, Mellomkrigstid:1920-1940*, Oslo 1996, p 151; Sjøqvist, p 86.

<sup>25</sup> Actually, Mowinkel tried his ideas of trade liberalization on his Nordic colleagues in Denmark and Sweden, before he introduced them to others. Riksarkivet, Oslo UD 1905 Arkiv Eske 3166 Oslokonvensjonen Overenskomst mellom Norge, Sverige, Danmark, Nederl. Belgia, Luxemburg. Nye avtale 1937.

convention would be the germ of a revival of free trade all over the world. The Oslo convention was more a declaration of intention and solidarity than a genuine trade treaty.<sup>26</sup>

But when the Oslo convention was established it was not just a formality. Together the Oslo states formed an impressive economic bloc comprising for 8.64% of the world trade in 1931. This was more than the French share and almost the same as the German.<sup>27</sup>

In a following meeting for the Oslo states in Ouchy 1932 a Dutch-Belgian proposal of creating a customs union out of the convention was rejected by the Nordic countries. But a more far-reaching convention was accepted, but it proved to be of little importance. Mowinkel's ideas and hopes for the Oslo group turned out to be rather unrealistic as long as UK and Germany refused to participate or to put away their most-favoured-nation-clause.<sup>28</sup>

To come further a new attempt was made by the Oslo states in The Hague 1937. The resulting The Hague agreement aimed at expanding economic cooperation and developing the interchange of commodities between the Oslo states by taking away the obstacles for trade step by step. But when the trade conditions got worse in 1938, the Netherlands had to strengthen its import restrictions.<sup>29</sup> And Great Britain and Germany went on with their bilateralism and now the political climate worsened too and so the Oslo convention was on its way out.

The yearly meetings of the Oslo states were prepared by the leading politicians and industrialists in each country. This means that the business organizations had an important influence in the negotiations, and of the outcome of the treaties.

There were several other international meetings and conferences in the efforts to get a freer, more open international trade again, initiated by of the Leagues and others in the beginning of the 1930's. Most well-known are the Lausanne conference on reparations in 1932 and the World Economic conference in London 1933 in order to stabilize the exchange between the countries but in short it could be said, that they failed.<sup>30</sup>

To summarize, the most far-reaching efforts to liberalize international trade during the 1930's were made by the Nordic states and its allies the Benelux-states – all small states. The treaties were only partially successful as they eased the trade between the small countries involved but they did not reach their ultimate purpose - to open up and liberalize all the international trade - above all because of the opposition from the great powers. But it formed a rather impressive trade bloc and the trade grew significantly between the members of the Oslo convention 1933-1939.

### **3. From free trade to clearings and quotations**

It's easy to distinguish an evident transition to protectionism and bilateralization in world trade in the beginning of the 1930's mainly caused by the Great Depression and the great powers' distrust in free trade. In Sept. 1931 Great Britain left the gold standard and soon

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<sup>26</sup> Van Roon, p 13.

<sup>27</sup> Van Roon, p. 14.

<sup>28</sup> Salmon, p 197.

<sup>29</sup> Bertil Ohlin, *Utrikeshandel och handelspolitik*. 7th edition, Stockholm 1962, pp 228-230.

<sup>30</sup> They are more extensively described and discussed in Feinstein – Temin – Toniolo, pp 146-151.

after that it started its way from free trade to protectionism. One of the main reasons for this was the stagnation in the big old industries: coal and textile; another was the overall more intense international trade competition starting in the 1920's. It became difficult for Great Britain to be as dominant on the international market as before WWI, and this caused dismissals of workers and unemployment. In British producing sector the opposition against protective duty tariffs faded away at the end of 1920's. And in autumn 1932 the definite step to protectionism was taken at the Imperial Economic Conference in Ottawa.<sup>31</sup>

Another very significant shift appeared in Germany a little later - in 1933, when the Nazi regime seized the power. A politically as well as an economically very big step was taken towards an international trade, controlled and regulated by the government and determined out of German needs and to very controlled exchange rates. Both the British and the German actions towards bilateralism and quotations in foreign trade were of immense importance to the Nordic states and other small countries. In the following we will first focus on what the British steps meant and led to, and after that the German.

#### The British preference treaties

The Ottawa Imperial Conference 1932 led to higher duty tariffs and protectionism for the British Commonwealth. It was carried out in a series of imperial trading treaties. But Great Britain started to negotiate with Denmark, Norway and Sweden already in October 1932. And soon after that Argentine and Finland were involved too. Anyhow, this shows the importance the British felt for the trade with the Nordic countries.

Through the Ottawa preference treaties all the Nordic exports of agrarian products were threatened, and in the autumn 1932 Britain introduced import quotas on bacon and the import was cut down 15%, a hard blow especially to Danish, but also Finnish farmers. On Swedish timber a 10% duty was put. But Swedish steel industry and paper industry were hit still harder due to the fact that British duties of 33.33% and 25% respectively were imposed in 1932.<sup>32</sup> This shows that the British transition to protectionism and imperial preferences hit Nordic agrarian export, steel industry and paper and pulp industry severely. For example, these three sectors together accounted for more than 40% of the total Swedish exports to the English market and it was a similar situation for the Finland and Norway.<sup>33</sup> The most important for Great Britain was to increase and consolidate the English coal and coke export, which had fallen back because of hard international competition from Poland and Germany in the first place – the latter countries offered lower prices.<sup>34</sup>

After lengthy British-Swedish negotiations a treaty was made on coal and coke, meaning that 47% of the Swedish import demand of coal should come from GB. In

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<sup>31</sup> Anthony Howe, *Free trade and liberal England 1846-1946*, Oxford 1997, pp 283, 294-295; Tim Rooth, "British business, the tariff and economic diplomacy in Europe between the wars" in: Ulf Olsson (ed.), *Business and European integration since 1800*, Gothenburg 1997, pp 198-199.

<sup>32</sup> Barry Supple, *1913-1946: The political economy of decline. The history of the British coal industry, Vol. 4*, Oxford 1987, pp 288-295.

<sup>33</sup> Nilson, pp 42-43. As for Norway Great Britain's share in Norway's total imports 1926-1930 was 21,3 % and Great Britain's share in Norway's total exports was 27,4% the same period. Riksarkivet Oslo UD 1905 Eske 3217, H 19-c England Tolltariffer, tollforhandlinger Norge-England Bind IV-V 1932.

<sup>34</sup> Sjøqvist, p 34.

exchange the British offered duty-free imports of pulp and newsprint and duty reductions on paper and steel. The British trade negotiations with Denmark and Norway took place during the same period. Denmark promised to take more than 80% of her coal imports from GB, Norway 70% and Finland 75%.<sup>35</sup> All these agreements were of the same kind – preferences, including important exports in return. The result was that Great Britain got a stronger trade influence in the Nordic countries and that it regained a lot of the coal markets which it had lost earlier. On the other hand, Sweden and the other Nordic states kept an urgent trade position in Great Britain, with a substantial export surplus value. Their big exports consisted of timber, paper and pulp (Sweden, Norway and Finland), butter and bacon (Denmark and Finland) et cet.<sup>36</sup> And in the negotiations with the Nordic countries in 1933 concerning paper, the Nordic producers managed to lower the duties on kraft and grease-proof etc from 25% to 16,66%.<sup>37</sup>

Later, in 1934-1935, Great Britain succeeded in establishing an international Anglo-Polish coal cartel, which limited the Polish exports to Scandinavia, the Baltic states, Western Europe and the Mediterranean countries. For any quarter of the year Poland's exports to these markets must not be more than 21% of the British deliveries to the same market during the following quarter. As for coke an international cartel was founded in 1937 among the five biggest European coke exporters, Germany, Great Britain, the Netherlands, Belgium and Poland, and giving them the following export quotas: Germany 48,43%; Great Britain 20,88%; The Netherlands 17,83%, Belgium 9,66% and Poland 3,20%.<sup>38</sup>

#### The German clearing system

The international trade and payment system in Germany was totally changed after the Nazi regime seized power in 1933. To a large extent this system was the result of the distrust that emerged after Germany had proved to be unable to pay its war reparations. Already at the international conference in Lausanne in 1932 the creditor countries agreed to stop the claims for further reparations caused by Germany in World War I ("Stillhalteabkommen"). Different currency for different purposes was introduced, Reisemark, Registermark and Aski- (Ausländer-Sonderkonten-) Mark for foreign trade and exchange.<sup>39</sup> This new payment system was also an instrument to stop German inflation. The German clearing system was part of the Nazi-German autarky ideas too. Germany was eager to negotiate with those nations, who had important and valuable goods to offer to Germany's self sufficiency and later rearmament. Among its favourites were the Nordic states, and especially Sweden who became one of Germany's main suppliers of iron ore and timber.<sup>40</sup> And all the Nordic states had a rather big import surplus towards Germany, as Germany's exports consisted of many strategic raw materials and finished products: coal and coke, iron and steel sheets, chemicals, cars and electrical equipment.<sup>41</sup>

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<sup>35</sup> *The world coal-mining industry* Volume I, Geneva 1938, p 188.

<sup>36</sup> Susan Seymour, *Anglo-Danish relations and Germany 1933-1945*, Odense 1982, pp 25-30.

<sup>37</sup> Heikkinen, p 145.

<sup>38</sup> Sven-Olof Olsson, *German coal and Swedish fuel 1939-1945*, Gothenburg 1975, p 31.

<sup>39</sup> Nilson, pp 82-83; Hjalmar Schacht, *76 Jahre meines Lebens*, Bad Wörishofen 1953, pp 396-402.

<sup>40</sup> In fact, the Nordic countries were from German side seen as a part of the German "Grossraum".

<sup>41</sup> Harm G. Schröter, *Aussenpolitik und Wirtschaftsinteresse. Skandinavien im aussenwirtschaftlichen Kalkül Deutschlands und Grossbritanniens 1918-1939*, Frankfurt am Main 1983, pp 78-82, 397.

The clearing trade agreements took place yearly, and they were conducted by industrial and political leaders on both sides, representing both the government and the big branch organisations. Two special governmental clearing offices, "Verrechnungskasse" in Berlin and "Clearingnämnden" in Stockholm were established to control and regulate the completion of agreements. For the most important goods there a price balance was arranged. German coal and coke were balanced against Swedish iron ore according to volume and value. The treaties also included rules for regulation of Swedish credit loans in Germany, including the Kreuger loan. These clearing ceremonies and treaties were ongoing processes right up to the end of World War II and thus decided the German-Swedish trade and trade policy during the whole Nazi period.<sup>42</sup> Nazi Germany used the same trade strategy towards all the Oslo states as well as others.

To conclude it can be said that Great Britain strengthened its grip of the Nordic market in the 1930's by the preferences. At the end of the 1930's Great Britain had regained or even reinforced its positions in Scandinavia. The Nordic states were very anxious to get trade agreements with Great Britain, since it was their biggest customer on the export side but also a very important supplier - this trade generated an excess of exports over imports. Germany, on the other hand, started from a very weak economy and trade position in 1933, when the clearings with the Nordic states were introduced, but got stronger as its economy and industry revived and even more so later on when it advanced politically and territorially in Europe.

#### **4. Cartels in coal and paper**

Industrial cartelization belongs to the modern world and began in the end of the 19<sup>th</sup> century in France, Germany, Great Britain, Belgium et cet. Cartels involve open or tacit understanding of prices and/or quotas within a special sector. Cartelization reached its peak in the interwar years when it was accepted everywhere.<sup>43</sup> In the period before World War I the international cartels were all based on private initiatives. But later, in the interwar period, the French and German governments started to encourage and influence on international cartels, however, from British side it was not that explicit.<sup>44</sup> Cartelization was not seen as a threat, but as something positive for the economy in Scandinavia as in most countries, and Norway, Sweden and Finland belonged to a group of very cartelized countries, according to Schröter.<sup>45</sup> For small states like the Nordic ones cartelization showed a way and a possibility to be more competitive on the market.

Cartels were not only a powerful means for export firms but also for import ones. They could make it easier to get desirable qualities, volumes and price agreements. In the following we will look upon two Scandinavian industrial branches, one on the export side: paper and pulp, and one on the import side: coal and coke. There will also be some

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<sup>42</sup> This period and process is carefully analyzed and discussed in Peter Hedberg, *Handeln och betalningarna mellan Sverige och Tyskland 1934-1945, Den svensk-tyska clearingens ur ett kontraktsekonomiskt perspektiv*, Uppsala 2003.

<sup>43</sup> Harm G. Schröter, "Cartelization and decartelization in Europe, 1870-1995: Rise and decline of an economic institution" *The Journal of European Economic History* 1996, Volume 25 Nr 1, p 133.

<sup>44</sup> Clemens Wurm, *Industrielle Interessenpolitik und Staat, Veröffentlichungen der Historischen Kommission zu Berlin, Band 71*, Berlin New & York, 1988, p 111.

<sup>45</sup> Schröter, pp 138-139. See also Fritz Hodne, *The Norwegian Economy 1920-1980*, London & New York 1983, pp76-82.

discussion about to whose interest the leaders of the export and import organizations acted – for the benefit of all the society or for self-interest. These ideas are inspired by public-choice theory, especially by the ideas of Mancur Olson.<sup>46</sup> In the Nordic countries the leading layer consists of a rather small group of politicians and industrialists, having a dominant influence of the most important exports and imports organizations. In small organizations it's easier for the leaders to act for their self-interest in the first place and secondly for the public good.<sup>47</sup> That is, they might favour their own organizations and companies by quotations and allocations. As the big companies have a strong position the smaller ones might be treated unfairly, as Lamberg has shown on the Finnish and NüchelThomsen on the Danish field.<sup>48</sup> When foreign trade was bilateralized, regulated and quoted as it was in the 1930's, with just a few persons in the lead of the organizations, there was a clear risk of self-interest.

#### Coal co-operation in Scandinavia

The Swedish Coal Importers' Association (Svenska Stenkolsimportörers Förening, SSIF) was founded already in 1902 by five companies in Stockholm, and soon after that all the big coal importers in Sweden joined SSIF. Already in 1923 Danish, Swedish and Norwegian coal companies formed the Scandinavian Coal Importers Federation, which made efforts to get as favourable trade agreements as possible with Great Britain, later on also with Poland and Germany.<sup>49</sup> Finnish companies joined as members of this organization later, in 1933 or 1934.<sup>50</sup> The Scandinavian Coal Importers Federation consisted of the biggest coal importing companies, who of course acted firstly for their own purposes. But it is difficult to say if this organization had any deeper effect on the results of the trade negotiations, but at least it managed to get some relaxations of the British-Scandinavian agreements.<sup>51</sup> When in 1937 the international coke cartel was formed and carried through new treaties with the Nordic countries, the Scandinavian Coal Importers' Federation tried to lower the freight rates but did not succeed.<sup>52</sup>

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<sup>46</sup> Mancur Olson, *The Logics of collective action, Public goods and the theory of groups*. 19<sup>th</sup> printing, Cambridge, Mass, 2001.

<sup>47</sup> Bengt Abrahamsson, *Varför finns organisationer? Kollektiv handling, yttre krafter och inre logik*, Lund 1992, pp 55-76.

<sup>48</sup> Juha-Antti Lamberg, *Taloudelliset eturyhmät neuvotteluprosesseissa. Suomen kauppasopimuspolitiikka 1920-1930-luvulla*, Helsinki 1999; Juha-Antti Lamberg, "Economic interest groups in Finnish foreign-trade policy decision-making" *Scandinavian Economic History Review* 1998:2, pp 70-96; Birgit Nüchel-Thomsen, "Ehrververne og prisaf taleloven af 1931. En undersøgelse af organisationsindflydelse." *Festskrift til Vagn Dybdal*, Aarhus 1987, pp 394-411.

<sup>49</sup> *1923-1973 The Scandinavian Coal Importers' Federation*. Undated mimeo, Svenska Kolimportörers förening, pp 2, 5-8.

<sup>50</sup> It's impossible from documents studied to be quite certain of which year. *1923-1973 The Scandinavian Coal Importers' Federation*. Undated mimeo, Svenska Kolimportörers förening.

<sup>51</sup> Ibidem.

<sup>52</sup> When World War II broke out, the Swedish government founded a new organization, Svenska Kolimportörers Förening 1939 upa (SKIF), based on the former SSIF and with the same members, but now controlled by the state and with the authority to look after Swedish coal import interests during the war.<sup>52</sup> It was also responsible for distributing the coal and coke within the country in a fair way. Thus, SKIF was the organization that executed the allocation and distribution but it collaborated with Statens kolnämnd, the Swedish Coal commission, during the war. And in SKIF's exercising it got complaints several times to favour its big members and disregard the demand from the smaller coal importers and distributors. Harry Molin, *Stenkol. En skrift utgiven med anledning av Svenska Stenkolsimportörers Förenings verksamhet*

### Nordic paper federations and cartels

In a Nordic perspective, the most far-reaching cartels were founded in the paper sector. The reason for this was that in the interwar years there was a fierce competition on the paper and pulp market between American, Canadian and German and Nordic producers. Together the Norwegian, Finnish and Swedish paper producers were able to form a very strong constellation in international trade, only surpassed by Canada.

The Swedish Paper Mill Association was founded in 1898. National cartels for paper and cardboard were established after World War I.<sup>53</sup> And in 1925-1926, the Norwegian, Finnish and Swedish paper mill associations started to cooperate to stop English attempts to put duty on imported paper. The Nordic associations agreed to the English Board of Trade that there should be no middle-men but the agents of the paper mills of the Nordic associations in the UK market.<sup>54</sup> In 1927 a new cartel, Scan-grease-proof, was founded by Finnish, Norwegian and Swedish partners.<sup>55</sup> In the same year the Nordic Cap Union was founded to fight for good economic conditions on the Chinese market.<sup>56</sup> Scankraft (for strong brown wrapping paper) was established in 1932, Scannews (for newsprint) in 1935 and so on.<sup>57</sup> The purpose of all the paper cartels was to get balance and stability in export. In these paper organizations, Finland was the biggest, at the end of 1930's producing nearly double the Swedish volume, and Norway the smallest.

Members of a cartel were in a way chained by the cartel rules. They had to keep to the quotas and prices set by the cartel. But sometimes one or two mills broke against the rules or left the associations or started co-operations with others for their own best.<sup>58</sup>

## 5. Concluding remarks

In spite of the fact that the interwar period was a very turbulent one, with many economic crises, many international trade blockades and tensions, it was a time of economic progress and development for the Nordic countries, the least for Denmark, good for Norway and Sweden and exceptionally good for Finland. Finland doubled its industrial production in a decade following the National liberation in 1919, but was starting from a low level - its industrialization started here. Britain still was the most important trade partner especially for Nordic exports, but in the 1930's Germany became the second and

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1902-1952, Stockholm 1952; Karl Åmark, *Kristidspolitik och kristidshushållning under och efter andra världskriget, Volume I, SOU 1952:49*, Stockholm 1952, p 77.

<sup>53</sup> This is the case for Finland where Finska Pappersbruksföreningen, (The Finnish Paper Mill Union) was founded in 1918. Sakari Heikkinen, *Papper ut i världen, Finska pappersbruksföreningen – Finnrap 1918-1996*, Helsingfors 2000, pp 16-25. Cfr Elis Bosaeus, *Pappersindustriens produktionsförhållanden. SOU 1922:36*, Stockholm 1922, pp 65-67.

<sup>54</sup> Lars Sjunnesson "Svenska pappersbruksföreningen 1923-1947" in Gustaf Clemensson, *Svenska pappersbruksföreningen 1923-1948*, Stockholm 1948, pp 14-18.

<sup>55</sup> Heikkinen, p 149;

<sup>56</sup> Sjunnesson, p 32.

<sup>57</sup> Heikkinen, pp 150-160; Sjunnesson, pp 61-66.

<sup>58</sup> Stora Enso Hylte, Hyltebruk A 1:5: Styrelseprotokoll den 11 mars 1931, Styrelseprotokoll den 11 maj 1936.

was especially valuable for its exports to Scandinavia: coal and coke, chemicals, steel sheets, machines etc.

After the great depression in the beginning of the 1930's there was a pronounced change in the international trade climate, which created difficulties - especially for small states like the Nordic ones. The old imperial states Great Britain and France favoured its dominions and former colonies. Germany had regained strength after the Nazi regime seized the power, but had no colonies any more and then tried to replace them by new trading partners in South-East, Central and North-West Europe. The Nordic states were very interesting trade objects because they had strategic and important primary products to offer - iron ore, steel sheet, nickel and aluminium, but also agrarian products and wood. The trade negotiations led to bilateralized and quoted treaties with Germany and Britain. That means that international trade was strangled. The small Nordic states tried two ways to get better conditions for trade a) by forming the Oslo convention for a freer international trade between small states: the Nordic ones and the Benelux, and b) by cartelization. In spite of these steps the big powers strengthened their grip on the European trade market at the end of the 1930's.

The Oslo convention attempt was not a complete failure – it was a serious effort, showing small states' will to return to liberalized trade. The trade between the Oslo states grew during the 1930's. It was a rather strong trade group, together accounting for more than the French foreign trade and just as much as Germany and more than 8% of total world trade. It showed the will and possibilities of the Oslo states to co-operate and plan for the future.

One contribution of this paper is that the third level, the lines of business, played a very important role. Firstly it can be concluded that the contacts within the Nordic cartels and associations was a factor strongly influencing the trade negotiations. It brought the Nordic countries together. Secondly the importance of the industrialists has been shown for the planning and preparing for the meetings of the Oslo states.

At the end of the 1930's when the dark shadows of war were evident, every country got more anxious about imports than exports – they thought of self-sufficiency in case of a total stoppage in the international trade. Trade became more strategic; it was intensified between allies and friendly nations and more restrictive towards hostile ones.

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