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## FAILURE AND SUCCESS

The trade negotiations between Sweden and the Western Powers, 1916 to 1918

Eli Heckscher once wrote that as the First World War progressed Sweden's neutrality policy and its trade policy became virtually synonymous.<sup>1</sup> What Heckscher meant was that in order for Sweden to maintain its political independence and stable economic conditions during the war it was necessary to have an effective trade policy. Without the economic security of a successful commercial policy, the likelihood of maintaining an independent political course was quite small. Heckscher's observations underscore why Sweden's trade negotiations with the Western Powers between 1916 and 1918 were so important. What was at stake in these negotiations was not only the continued economic development of Sweden but Sweden's ability to maintain an independent position during the war. The importance of these discussions was not however equally clear to all of the contemporary political factions in Sweden. There developed around the issue of the trade negotiations a serious domestic conflict. Additionally the success of the negotiations was dependent not only upon the ability of a Swedish government to formulate a positive policy on the issue but on the attitudes of the Western Powers themselves including the difficulties of creating a joint Associated policy and to the general progress of the war. The purpose of this essay is to analyze the causes of the early failures and the final success of Sweden's negotiations with the Entente between 1916 and 1918.

The negotiations occurred in two phases: November 7, 1916 to February 2, 1917, and December 13, 1917 to June 28, 1918. The first episode failed to produce any positive results; the second saw Sweden succeed in protecting its economic ties with both the Western Powers and Germany. This essay will concentrate on the factors which contributed to the latter process but will begin by examining certain critical developments which produced the former results.<sup>2</sup>

<sup>1</sup> *Eli Heckscher, Kurt Bergendahl, Wilhelm Keilhau, Einar Cohn, and Thorsteinn Thorsteins-son*, Sweden, Norway, Denmark, and Iceland in the World War (New Haven, 1930), p. 122, ff.

<sup>2</sup> There has already been considerable study of the political consequences of the renewal of trade negotiations between Sweden and the Entente in 1916. *Sven Anders Söderpalm*, *Storföre-*

## 1

The pressure to renew trade negotiations with the Western Powers began during the spring of 1916 and continued to grow during the summer. The cause of this development was the perception by various groups within Sweden that Hjalmar Hammarskjöld's trade policy was either failing or about to fail. Certain business groups led by the Wallenberg family feared a growing shortage of industrial raw materials, while the Social Democrats and other progressive political elements worried about the growing scarcity and rising cost of essential food items and also became concerned about a potential slowdown of production due to the lack of raw materials which would produce greater unemployment. The criticism of government policy by these diverse groups was not at least in the beginning on common ground.

The first 24 months of the war had been for most of Sweden's economic sectors an undisguised blessing. Swedish industry accrued abnormally high rates of profit.<sup>3</sup> However the war did have some very disturbing economic effects: it dislocated normal patterns of trade; it created a highly inflationary financial situation; and perhaps of greatest immediate importance, the war confronted businessmen with a series of questions which they had not previously faced. How were they to respond to these new developments when their past experiences were of little value in guiding them? No unanimity existed within Sweden's business community. Various groups and individuals perceived changing economic and military situations in entirely opposite ways. It is important to comprehend this fact when considering the renewal of trade negotiations with the Entente.

One group believed by 1916 that Sweden would in 1917 and afterwards find itself in a very awkward economic position if Hammarskjöld's commercial policy was not altered. Their perception was based on a belief that the Western Powers would get stronger as the war lengthened and that Sweden's dependence on certain raw materials from the Americas would mean that unless Sweden had a better understanding with Great Britain than had been established by Hammarskjöld's barter policy Sweden's economic life would face disastrous consequences

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tagarna och det demokratiska genombrottet (Lund, 1969), examined the economic background within certain business groups and the left parties in support of the discussions. *W. M. Carlgren*, *Ministären Hammarskjöld: Tillkomst—Söndring—Fall* (Stockholm, 1967), analyzed the domestic political ramifications of the first phase of the negotiations. My own earlier work, "Wartime Diplomacy and the Democratization of Sweden in September—October 1917", *Journal of Modern History*, March 1969, and *Sweden—The Neutral Victor* (University of Michigan Microfilm series, 1970), has also dealt with these factors.

<sup>3</sup> For studies of the impact of the war on Sweden's economic life, see *Eli Heckscher*, *Bidrag till Sveriges ekonomiska och sociala historia under och efter världskriget* (Stockholm, 1926), *A. Östlund*, *Svensk samhällsekonomi 1914—1922* (Stockholm, 1945), and *E. Söderlund*, "The Swedish Iron Industry during the First World War and Post War Depression", SEHR, 1958.

in the near future. This group led by Knut and Marcus Wallenberg, the former was Foreign Minister, were willing to make extensive changes in Sweden's trade and neutrality policy in order to reach agreement with Great Britain.

However a majority of the business community, at least judging from discussions in the Trade Commission—the main advisory board to the Swedish government on matters of trade, while sharing their brethren's concern over potential future developments were not willing to accept any major changes in the patterns of trade established during the first 2 1/2 years of the war. Their position too was based upon certain military/political judgments on the likely outcome of the war. They believed that Germany's position continued to grow stronger as it became clearer that Russia would leave the war and that above all else Sweden must maintain the goodwill of Germany. That is, they argued that Sweden's benevolent neutrality toward Germany should be maintained.<sup>4</sup> Nonetheless almost all elements within the Trade Commission were willing to renew negotiations with the British in the hope of achieving some form of settlement and to that extent were hostile to Prime Minister Hjalmar Hammarskjöld who opposed general negotiations with the Entente.<sup>5</sup> In September 1916, Hammarskjöld was forced to accept the decision of the Trade Commission and a majority of his own ministers to reopen negotiations.

The criticism of the Social Democrats and other left party figures was for the most part directed at the government's domestic economic (and political) policy. These elements felt that Hammarskjöld had failed to husband Sweden's own food resources and to establish a system of food distribution and price control which would have guaranteed to the Swedish worker minimal levels of food consumption. There can be no doubt that beginning in 1916 and continuing through the rest of the war Sweden faced one of its most serious periods of food, fodder, and raw material shortages in its modern history. Hammarskjöld's attempts in 1916 to ration and to establish stricter export controls came too late and in many cases was too little. 1917 would justify the worse fears of 1916. The only way to deal with the food and raw material shortages was through increased imports and that meant seeking materials in the Americas. By 1916, the United States and Argentina were Sweden's most important sources of supply for wheat and rye.<sup>6</sup>

<sup>4</sup> For examples of these economic/political positions, see the reports of the Trade Commission on the February 1, 1917, draft agreement between Sweden and the Entente. U.D. Archiv, 21 U 61 IX, *Handelskommissionen* to King Gustav V, February 16, 1917, and "Särskild Mening" of the same date; marginal notes on the draft treaty in Arvid Lindmans Samling, v. 14, Dossier 9; and AKP, v. 1, January 22, 1917, pp. 30–42, and February 23, 1917, pp. 9–12.

<sup>5</sup> U.D. Archiv, 21 U 61 V, *Handelskommissionen* to King Gustav V, September 27, 1916, and *W. M. Carlgren*, "Anteckningar Kring Johannes Hellners Minnen", *Historisk Tidskrift*, 1961, p. 126.

<sup>6</sup> *R. Axel Nordvall*, "Sweden's Food Supply", *Annals of the American Academy*, November 1917, pp. 57–65.

In order to ship these materials, Sweden needed the benevolent support of Britain who controlled the Atlantic trade routes through its blockade.

The Social Democrats saw the renewal of trade negotiations with the Entente as an absolute necessity. Yet they did not have either a clear long range political/economic perspective over the issue or any way of domestically effecting the policies of the government. Therefore they generally supported the Wallenberg element of the business community for lack of any better alternative.<sup>7</sup> The conflict over the renewal of the trade negotiations and later the specific terms of the British draft proposal of February 1, 1917 to regulate Swedish-Entente trade, became primarily a struggle within the business community and within the government itself.<sup>8</sup> The Social Democrats were concerned observers.

There are two basic factors why once the Swedes decided to open the discussions with the Entente, the negotiations produced no positive results: the internal division within the Swedish Government and the Trade Commission; and the changing external political/military developments. The former problem concerned, above all else, the position of Hjalmar Hammarskjöld. Hammarskjöld was virtually alone in opposing the reopening of negotiations. His attitude was based upon both a perception of external military/political factors and the domestic situation. He thought that the negotiations could not possibly produce any positive results, partly because he believed that the British would make unacceptable demands, partly because he shared the conviction that England's position would weaken in the future. Additionally, Hammarskjöld obviously felt obliged to defend his government's policies from attacks both within and outside the government. The whole question of the English negotiations quickly developed into a power struggle inside the government between Hammarskjöld and Knut Wallenberg. This struggle characterized the way in which the Swedish delegates were chosen, the instructions given to the mission, the way in which the Swedish delegates conducted themselves in London, and the final debate over how Sweden should respond to the British draft of February 1. Hammarskjöld successfully outmaneuvered Knut Wallenberg on nearly every occasion but he failed in the end to carry the necessary support of the Conservatives. This failure was of primary importance in his inability to remain in office after March 1917.<sup>9</sup>

The Prime Minister isolated within his own government on the negotiations issue in September waited for an opportunity to redress the situation: "he (Hammarskjöld) would sit in the background and constitute a wholesome terror for both

<sup>7</sup> Hjalmar Brantings Samling, Dossier Hugo Vallentin, unsigned letter of March 15, 1917.

<sup>8</sup> S. Linnér, "Några anteckningar från Hammarskjöldska ministärens tid. II", *Svensk Tidskrift*, 1952, pp. 497—512.

<sup>9</sup> For a detailed analysis of this process, see *Koblik*, Sweden—The Neutral Victor Chapters 1 and 2.

<sup>10</sup> v. Sydow diary as quoted in Carlgren, pp. 162—163.

the delegates and the English government.”<sup>10</sup> In early October Knut Wallenberg provided him with a golden opportunity. Wallenberg began negotiating with the British Ambassador in Stockholm, Sir Esme Howard, without consulting with the rest of the cabinet. When the cabinet learned of the Foreign Minister’s unilateral activities, they permitted Hammarskjöld to dominate the selection of the trade delegation and to write its instructions.<sup>11</sup> Hammarskjöld placed C. G. Westman, a high ranking foreign office official who shared Hammarskjöld’s views on the general military/political situation, on the mission and thereby counterbalanced the proagreement delegates led by Marcus Wallenberg. Next, he bound the delegation to a set of rigid instructions based on a memorandum from the Trade Commission dated October 3, 1916. Additionally, he specifically told Johannes Hellner, the delegation’s titular leader and a member of the Supreme Court, and Marcus Wallenberg that they must not take up any “political” questions such as the mining of the Kogrund passage, submarine warfare, etc.<sup>12</sup> Marcus Wallenberg correctly foresaw that these conditions would make impossible the chances of the mission’s success.<sup>13</sup> The British had been particularly incensed by Sweden’s unilateral mining of its “Kogrund passage”—the only extant mine-free water in the Öresund—in the summer of 1916 and were determined to seek compensation. Hammarskjöld had emasculated the Swedish position even before the discussions began, however events outside of Sweden were to make an even greater impact on the possibility of an agreement between Sweden and the Entente.

Four non-Swedish developments were in the process of revolutionizing Sweden’s relations with the belligerents: the change of leadership in Great Britain; the continuing collapse of the Russian government; the beginning of unrestricted submarine warfare by Germany; and the movement toward belligerency by the United States. The Swedes (one might say most observers) were uncertain as to the effect of these developments. In Sweden, they tended to confirm the belief which each of the contending factions had already conceived. As a matter of fact, these developments seriously undermined Sweden’s international position: Sweden lost the transit issue and the fear generated by an autocratic Russia; the new British government’s attitude toward Sweden hardened; and Sweden faced the loss of America’s agricultural products. No one of the contending groups fully understood how radically altered the situation had become, although people like Marcus Wallenberg had their suspicions. The debate in Sweden in February—March over the British draft of February 1, 1917, which led to the collapse of the Hammarskjöld government and the failure of the first phase of Sweden’s negotiations with the Western Powers lacked much contact with the reality of the international

<sup>11</sup> *Johannes Hellner*, *Minnen och Dagböcker* (Stockholm, 1960), p. 241. Also Hjalmar Brantings Samling, Branting to D Bergström, November 10, 1916.

<sup>12</sup> M. Wallenbergs Samling, *Engelska Förhandlingar 1916—1917*, II, Special Instructions by the government, November 3, 1916.

situation and was more a process of completing a long extant domestic struggle for power than coming to grips with Sweden's general economic conditions.<sup>14</sup>

The last act of this first phase occurred between March 5 and March 29; it focused on internal problems. The struggle between Hammarskjöld and Knut Wallenberg was decided in favor of the Prime Minister. By March 13, Knut Wallenberg had accepted Hammarskjöld's position on the trade question.<sup>15</sup> However, the Prime Minister could not convince the Conservatives in the Secret Committee to adopt his policy on the English question and this failure led to his downfall. Hammarskjöld insisted that Sweden treat the February draft as a working proposal and that Sweden would return to the negotiations only if certain conditions were met. The left leaders took the view that the draft was a "half ultimatum" and that only a few important issues should be clarified.<sup>16</sup> The critical factor was the attitude of the Conservatives who were precisely between Hammarskjöld and the left. They wanted to renew the negotiations using Hammarskjöld's conditions as a basis for new discussions but not as preconditions for the resumption of talks. The Conservatives refused to support Hammarskjöld and instead assumed responsibility themselves for running the country.<sup>17</sup>

## 2

The new government with C. Swartz as Prime Minister and A. Lindman as Foreign Minister failed to solve Sweden's economic crisis; a crisis which was no longer a probability but a reality and threatened to push Sweden toward revolution. The failure of the Swartz government depended primarily upon the attitudes of the Western Powers especially Great Britain who deliberately avoided negotiating with the Conservatives in order to influence Sweden's internal politics and to force a

<sup>13</sup> Ibid., Engelska Förhandlingar 1916—1917, I, M. Wallenberg to Gustav V, October 20, 1916. U.D. Archiv, 21 U 61 VI, Howard memorandum to Knut Wallenberg, October 6, 1916. The British indicated in this memorandum that they were unwilling to accept the views of the Trade Commission.

<sup>14</sup> Britain had no intention of reopening negotiations after the draft had been submitted. Foreign Office Archive, FO 382/1466, Balfour to Howard, February 8, 1917. By March 10, they had concluded that the draft was too favorable to Sweden but for political reasons they should remain silent. Ibid., FO 371/3022, Cecil's notes on Howard to Balfour March 10, 1917.

<sup>15</sup> U.D. Archiv, 21 U 61 XII, Statsrådets Ståndpunkt, March 13, 1917. M. Wallenbergs Samling, M. Wallenberg to J. Nachmanson, March 14, 1917. Hjalmar Brantings Samling, Dossier Hugo Vallentine, unsigned letter of March 15, 1917. It is interesting to note that Marcus Wallenberg was very unhappy about his step brother's position after March 13.

<sup>16</sup> The British meant the proposal as a final draft and would not have accepted the changes advocated by the left parties.

<sup>17</sup> U.D. Archiv, Hemliga Utskottets Protocol and Carl Sandgrens Stenografiska anteckningar från sammanträden i Hemliga Utskottet, 1917. See the minutes for the meetings of February 26, March 5, 19, 20, 21, 22, 23, and 26, 1917.

drastic change in its neutrality policy.<sup>18</sup> This policy was a primary factor in the collapse of the Conservative government in September 1917 and the establishment in October of the first left government—Liberals and Social Democrats—in Swedish history.<sup>18a</sup> Only after October, 1917, did the Western Powers show real interest in reopening negotiations with Sweden.

One might presume that the willingness of the Associated Powers to resume discussions in November—December was dependent upon the collapse of the Conservative government and the establishment of the Edén ministry. Such an assumption would not be correct. The British were wary of being put in the position of supporting a Swedish government for domestic reasons. Eyre Crowe, under-secretary of State for Foreign Affairs in Great Britain, wrote in the middle of the fall political crisis that “we ought to be on guard against the specious doctrine that we ought to be ready to support Mr. Branting’s ministry” and that a Swartz-like government might better serve Great Britain’s interests.<sup>19</sup> Crowe’s fears were to be justified as by early December the Western Powers had adopted a policy of supporting the Edén’s government domestic position. Nonetheless, the reason why the Western Powers showed renewed interest in the negotiations was the evolution of American policy and the changing military situation.

Before October 1917, the United States hardly had a specific policy toward Sweden other than a general embargo on all exports to neutrals and it was not until November during the sojourn of the House Mission in Europe that the British and the Americans could agree on a joint policy toward Sweden. Only after this joint policy had been formulated could negotiations begin anew. In conjunction with the adoption of a common policy, the Associated Powers became extremely concerned over events in Italy and the need to ferry American troops to Europe before the expected spring offensive of Germany. In short, the Allies needed tonnage of which neutral ships were an important available source. There were two ways to get neutral tonnage: negotiation or requisitioning. The Western Powers preferred negotiations but were prepared if necessary to requisition. Additionally after the November revolution in Russia and the outbreak of the Finnish civil war, the Western Powers viewed the left government in Sweden as a stabiliz-

<sup>18</sup> Foreign Office Archive, FO 382/1467, marginal notes dated May 12 on Howard to Balfour, April 26, 1917, Howard to Balfour, June 5, 1917, and Clive to Balfour, August 21, 1917. There was one agreement reached by the Swartz government with the British in May but the British did not put much significance in it and it properly belongs to the period prior to March 1917 when it originally was proposed.

<sup>18a</sup> The clearest example of British involvement in Swedish domestic politics was the so-called Luxburg Affair, a combination of a diplomatic incident and public scandal which had its greatest ramifications in September 1917. See *Koblik, Sweden: The Neutral Victor*; *Gihl, Den Svensk Utrikespolitikens Historia, 1914—1918* (1951); *Anders Lindnér, Det svenska utrikesdepartementets förmedling av tyska chiffertelegram under första världskriget, Studier i svensk neutralitetspolitik* (unpublished Licentiat dissertation, Stockholm, 1968).

<sup>19</sup> *Ibid.*, FO 382/1502, Crowe note on Howard to Balfour, October 1, 1917.

ing force in the Eastern Baltic and therefore worth supporting domestically in Sweden.

Formal talks between Sweden and the Associated Powers began on December 13, 1917, in London. The left government with Nils Edén as Prime Minister and Hjalmar Branting as Finance Minister was anxious to reestablish trade connections with the West which had been by and large non-existent after August. Special care had been taken by the government to avoid the mistakes made during the earlier phase of the negotiations. Marcus Wallenberg, who served as leader of the delegation although Sweden's Ambassador in London was titular head, was given great latitude in selecting his fellow delegates. Wallenberg built a mission comprised of people who shared his and the government's view of the importance of the discussions. Wallenberg and Hellner, who had become Foreign Minister in the new government, agreed that the mission would have the freedom to negotiate as Wallenberg saw fit but that the final decision on all matters would remain in Stockholm. This meant that Wallenberg was free to use all possible methods including "political issues" to achieve the best results possible but that the government would after completion of the discussions examine the document in total. Hellner and Wallenberg also agreed to write frankly and often to one another and thereby avoid many of the difficulties that had existed between the mission in London during the first negotiations and the government in Stockholm. It should also be noted that Hellner was a director of the Wallenberg bank. The British and Americans shared Sweden's anxiety to reach agreement quickly. They were interested in making a supportive gesture to the Edén government.<sup>20</sup>

When it became clear during the first week of discussions that a general agreement could not be reached easily, the British and Swedish delegates pressed for a *modus vivendi* which would meet some of the most urgent needs of the negotiating parties.<sup>21</sup> Under the chairmanship of Eyre Crowe a subcommittee of the delegates rapidly agreed on the general principles of the *modus vivendi*. Sweden would receive specified amounts of needed food and raw materials, the Associated Powers would be permitted to charter certain amounts of Swedish tonnage.<sup>22</sup> The specifics of the *modus vivendi* however took more than a month to formulate despite the desire of the British and Swedes to expedite matters. The cause of this delay was primarily the opposition in Sweden to certain aspects of the charter terms and a growing belief that Germany's position had improved because of the discussions at Brest Litovsk. Nonetheless, on January 24, 1918, the Edén government defended

<sup>20</sup> War Trade Board Papers, REO, Box 36, Memorandum of December 14, 1917. The Associated Powers made a goodwill gesture in December by permitting a few luxury items to be shipped to Sweden as a "christmas gift".

<sup>21</sup> The United States was so badly organized that it had not designated a representative to the negotiations and only after December 22 did Lewis Sheldon become the American negotiator.

<sup>22</sup> Foreign Office Archive, FO 382/1758, "Proposed Tonnage MV", December 22, 1917, see marginal note by Knatchbull.



its positive disposition toward the *modus vivendi* in the Secret Committee and the next day telegraphed to London to accept the treaty. The Conservatives opposed various sections of the agreement on the ground that they would endanger relations with Germany but were in no position to force the issue.<sup>23</sup> Interesting enough, there was another source of opposition to the agreement: the American War Trade Board. The WTB complained during January that the terms of the *modus vivendi* contradicted the general policy of the Associated Powers and was too favorable to Sweden. The United States agreed to accept the treaty only because of Britain's insistence on the importance of getting Swedish tonnage and the desire to aid the Edén government domestically.<sup>24</sup> The Edén government had with the signing of the *modus vivendi* broken Sweden's isolation from the West.

## 3

The signing of the *modus vivendi* on January 29 as well as the continuing progress of the negotiations in London on the general agreement suggested that Sweden had successfully overcome its misunderstanding with the Western Powers. Indeed in London, the atmosphere was considerably friendlier after January.<sup>25</sup> There were however other signs that indicated that the difficulties of the fall were still very much a factor with which to reckon. The uproar which greeted the signing of the *modus vivendi* in Stockholm and Washington was to be much more typical of the problems of the spring of 1918 than the pleasant relations between the negotiators in London. The heart of these difficulties lay in the way in which officials in Stockholm and Washington perceived the context of the *modus vivendi* and indeed the larger question of trade between Sweden and the Associated Powers.

The greatest source of disharmony was in the United States. America proceeded slowly toward completing its embargo policy; and as it did so, little regard was paid to current political/military developments in Europe. Typically, the WTB passed in January a series of new bunker regulations which strengthened their control over neutral shipping leaving American ports.<sup>26</sup> The WTB assumed that these new regulations would be applied to the *modus vivendi*. The Swedes and the British did not share this view. The position of the WTB threatened during the first two weeks in February to destroy the *modus vivendi* and to do major damage

<sup>23</sup> Protocol, Minutes of the Secret Committee meeting of January 24, 1918. Swartz Samling, "Swartz" anteckningar, January 24, 1918. M. Wallenbergs Samling, Hellner to Delegation, January 25, 1918.

<sup>24</sup> War Trade Board Papers, REO, Box 37, WTB to Sheldon, January 16, 1918.

<sup>25</sup> M. Wallenbergs Samling, notes of January 30, 1918.

<sup>26</sup> For a discussion of the role of bunker controls in American policy toward the neutrals see: *Thomas Bailey, United States Policy toward the Neutrals* (Baltimore 1941), pp. 339—349.

to any hope of a general agreement. Only after Britain exerted great pressure on the Board did it relent on February 18.<sup>27</sup> Lord Robert Cecil, Minister of Blockade, had been forced to remind the Americans that Vance Mc Cormick, chairman of the WTB, had agreed that Great Britain would be the chief formulator of Entente policy toward Sweden:

May I venture personally to support this telegram? It is of vital importance for the whole Alliance that we should obtain the use of Swedish shipping and the Swedes make it absolutely *sine qua non* that vessels agreed to be put at our service shall be exempt from US bunker conditions . . . As we have been left the chief responsibility for the Swedish negotiations in the same way that the Americans have been entrusted with the Norwegian negotiations it does not seem unreasonable for us to ask for this concession.<sup>28</sup>

The Board accepted Cecil's advice but felt quite strongly that the terms of the *modus vivendi* were too lenient with Sweden and wondered why the British had changed their position.<sup>29</sup> They were not to be told until May.

This division within the ranks of the Western Powers was of critical importance to the specific way in which the events of the spring 1918 were to develop. One wonders why the British did not, once they had taken a new position on the Swedish negotiations, explain to Washington the reasons for the change in their policy? The WTB was and remained responsive to British suggestions. Yet this author has found no documents that indicate that the British informed the United States of their shift. From Washington it appeared as though the British remained committed to the agreed to joint policy. The British evidently permitted the United States to believe that the old policy was still operative in order to make sure that the United States would take a less flexible negotiating position than the British had adopted. This division allowed the British to use the Americans in the negotiations as a counterweight to Swedish claims and to appear to the Swedes as the more reasonable of the Western Powers. Their policy won friends in Sweden during the war and insured the continued friendly relations between Great Britain and Sweden after the war. The position of the United States on the *modus vivendi* was by no means the only major difficulty.

The mood in Sweden changed radically in January and February. The conservative forces in Sweden had been on the defensive all during the fall. Partially

<sup>27</sup> M. Wallenbergs Samling, Hellner to M. Wallenberg, February 7, 1918. *Ibid.*, v. 3, notes of February 13, 1918. Foreign Office Archive, FO 382/2065, Leslie to Sheldon, February 7, 1918; Reading to Foreign Office, February 11, 1918; Foreign Office to Reading, February 15, 1918; Wallenberg to Leverton-Harris, February 13, 1918. War Trade Board Papers, REO, Boc 37, WTB to Sheldon, February 18, 1918.

<sup>28</sup> Foreign Office Archive, FO 382/2065, Cecil to Reading, February 16, 1918.

<sup>29</sup> War Trade Board Papers. REO. Box 37, WTB to Sheldon, January 16, 1918.

due to the Luxburg disclosures, the election results, their failure on the trade question, the apparent international weakness of Sweden, and the unclear military situation in the Baltic, the conservatives could not find an issue to use against the Edén government. In January, two questions appeared: the terms of the *modus vivendi* and the Finnish question. Admiral Lindman led the attack on the government for accepting overly restrictive clauses on the tonnage agreement.<sup>30</sup> The German government too protested the proposed terms of the *modus vivendi*.<sup>31</sup> In addition to these pressures, the Edén government had to deal with the question of the new American bunker regulations. The ministry proved capable of overcoming these difficulties primarily because they were, among themselves, in total agreement and there was no way that the conservatives could force the issue. Still the conservative agitation irritated the government and, occurring simultaneously with a problem of much greater importance, appeared to be of greater significance than it actually was.

The Finnish question dominated Swedish politics during the first three months on 1918. The reason for its importance during this period was the beginning of the Finnish civil war and the various policy options which opened up for Sweden. Many Swedes saw the Finnish developments as a unique opportunity to extend Swedish influence in the Baltic both by supporting the white forces, thereby pushing Russian influence farther eastward, and by annexing the Åland islands. These Swedes were encouraged during January and February by rumors that Germany had proposed that Sweden either join the ongoing negotiations at Brest Litovsk or occupy the island chain unilaterally. An additional stimulation was provided by a referendum held in the islands which showed that the islanders themselves preferred to join Sweden. The Conservatives as well as most Liberals and independents like Hellner, and even a few Social Democrats like Erik Palmstierna, Minister of the Marine, wanted to take advantage of the situation. Their feelings were responsible for the temporary occupation of Åland by Sweden begun on February 13. There were however grave difficulties for the left coalition and for Sweden as a whole in opting for such a policy.

The left view of the Finnish-Åland question was quite different from that of the moderates and the conservatives. The major concern of the Social Democrats was in making sure that the Swedish government did not adopt any policies which would damage the position of the red forces in Finland. The pro-white forces in Sweden had opted for a policy of permittance of transshipping of guns and munitions to the white forces and to protect carefully the future possibility of annexation of Åland. This former policy was not acceptable to either the Left Socialist Party or to a sizable portion of the regular Social Democratic Party. Branting's

<sup>30</sup> Hamilton, pp. 201—202.

<sup>31</sup> U.D. Arkiv, 21 U 61 XIV, Essen to Hellner, January 29, 1918.

problem was to stop the government from adopting too pro-white policies and thereby alienating the laboring classes to such an extent that it would be impossible to maintain the coalition, while at the same time, block the more radical socialists from using the Finnish events as an excuse to start open hostilities in Sweden. On the question of annexation, the Social Democrats themselves were badly divided, some favoring absorption, others counselling that the question must wait for the outcome of the civil war and the attitudes of the Finnish government. The Åland question was solved at least temporarily by a German decision to take control of the islands themselves as part of their larger program to aid the white forces. The white Finns also had made it clear in Stockholm that they would not accept a unilateral occupation of the island by Sweden.<sup>32</sup>

The true importance of the Åland-Finnish question was the way in which it potentially affected Sweden's domestic politics. The Edén government had been built on the general acceptance of two policies: constitutional reform and on giving first priority on foreign policy matters to the trade agreement with the Western Powers. On the issue of Finland, the government divided. Had the government attempted to adopt a forceful policy, i.e. direct aid to the whites, it seems quite likely that the coalition would have collapsed. A change in governments might have in turn led rapidly to a situation in Sweden similar to the conditions of their eastern neighbors. During January and February, the government stalled for time and tried to agree on a common policy. Agreement came slowly. By late February, the ministers had concluded that their original goals were of more importance than the Finnish question. On February 26, the government presented the terms of the *modus vivendi* to the Secret Committee for approval. The committee accepted the agreement but there was lively discussion. The central point of disagreement was on the verbal protest made by Germany on the terms proposed. The Conservatives believed that the protest should be dealt with carefully, the left parties refused to accept the protest as a serious matter. The *modus vivendi* was signed.<sup>33</sup> The willingness of the Edén government to maintain the trade question as its chief foreign policy concern was of great significance to the continued cooperation of the left parties and to the possibility of a general agreement with the Western Powers, but it also put the government in an awkward position.

The Edén government needed a visible success in foreign policy. The only foreign policy questions which had made the newspapers were the Finnish ques-

<sup>32</sup> *Gihl*, pp. 351—375. Sweden removed all of its troops by June, 1918.

<sup>33</sup> Protocol, minutes of Secret Committee meeting of February 26, 1918. Swartz Samling, "Swartz" Anteckningar, notes on the Secret Committee meeting of February 26, 1918. It is interesting to note that the meetings of the Secret Committee held in late January were taken up almost entirely by the Finnish questions, even though the *modus vivendi* was available for discussion. See Swartz Samling, "Swartz" Anteckningar, notes on Secret Committee meetings of January 28 and 30, 1918.

tions and the *modus vivendi*. In each case, government policy had come under much criticism. By the end of February the left coalition could hardly claim that they had been much more successful than their predecessors in breaking Sweden's economic isolation. The government felt its predicament. On February 19, Erik Palmstierna, a known friend of the Western Powers, protested to Howard that if the Allied treatment of the Edén government did not improve, the existing government or a new one would be forced to accept Germany's offer of food and material aid.<sup>34</sup> In early March, when the Trade Commission discussed the draft agreement, Branting told the Associated Powers that the government needed some sort of concession in order to get the committee to approve the draft proposal. On March 12, all the Allied ministers in Stockholm supported such a gesture.<sup>35</sup> To get a trade agreement with the Western Powers that appeared to the Swedish public to be favorable to Sweden's interests became the predominant factor in Hellner's policies during the spring. This meant to a large extent the ability of the Edén government to succeed in its foreign policy became dependent upon the attitudes of the Associated Powers.

The British understood that the left coalition needed support through a favorable agreement in order to strengthen their domestic position. This understanding was of primary importance in leading to acceptance by the negotiators in London of a draft general agreement on February 16. The negotiations on the general agreement had continued throughout January and early February. Marcus Wallenberg and the British delegate Leverton-Harris worked on the most critical issues: the amounts of imported material for Sweden, the quantity of Sweden's exports to Germany, the tonnage question, and the loan credit issue. Wallenberg succeeded in getting Leverton-Harris to agree to a figure of 550,000 tons for the importation of grain and fodder which far exceeded the figure agreed upon among the Associated Powers themselves.<sup>36</sup> The British expected in return favorable reciprocation on the other issues particularly iron ore and tonnage.

The Western Powers wanted a solid reduction of Sweden's iron ore exports to Germany. In January, the British accepted the idea of a 1.5 million ton reduction.<sup>37</sup> The Americans insisted however on an equal sharing between the belligerents which would in effect amount to a 2.5 million ton reduction. The British then changed their position and suggested a compromise of 2.0 million ton figure. This was an example of how the British used the United States to strengthen the

<sup>34</sup> Foreign Office Archive, FO 382/2065, Howard to Balfour, February 19, 1918. It is not clear whether this initiative was taken with the knowledge of the government or whether it was simply another example of Palmstierna's independence.

<sup>35</sup> Admiralty Papers, AD 137/2786, Howard to Balfour, March 12, 1918. See also *Palmstierna*, Orostid, 2 (1953), pp. 152—153.

<sup>36</sup> For details of the discussions see: M. Wallenbergs Samling, notes of February 1, 4, 5, 8, and 11; and Wallenberg to Hellner, February 4, 1918.

<sup>37</sup> *Ibid.*, M. Wallenberg to Hellner, February 4, 1918.

bargaining position of the Allies. Wallenberg agreed to put the 2 million ton figure in the draft and also promised that Sweden's total iron ore production would not be increased over 20 % in 1918 from the 1917 figures.<sup>38</sup> These compromises of the iron ore question did not appear to be a significant victory for either side. The Associated Powers particularly the Americans had hoped for far greater reductions. The Swedes had been forced to give up 300,000 tons more than it had originally intended and what Germany had accepted. The British felt that the Western Powers would be compensated on the shipping clauses and on the limitation of other Swedish exports to Germany.

Discussion of Swedish exports to Germany other than iron ore played an important part in the negotiating process. These items were used as compromise issues where the exact quantities fluctuated according to other problems and which were not definitely settled until the final agreement. An example of this type of negotiation occurred on February 12 on the question of paper and sulfur products. The negotiators agreed that Sweden's importation of wool and jute would be compensated for by reductions in the exportation of paper and sulfur products to Germany.<sup>39</sup> While these smaller issues did play an important role and a time consuming one in the negotiations, they never threatened to disrupt the talks. The main issue for the Swedes was cereals, for the Associated Powers tonnage.

For the Western Powers the main advantage of the draft agreement was the acceptance of a 500,000 ton shipping agreement. Wallenberg realized that this figure would produce tremendous opposition in Sweden.<sup>40</sup> But he also knew how much weight the Associated Powers put on these clauses. Taken as a whole, the draft heads proposal of February 16, 1918, favored Sweden. No other neutral had been able to bargain so successfully with the Western Powers in the past year. While many of the specific figures in the draft proposal were smaller than corresponding clauses in the February 1, 1917 draft, conditions were far more severe in 1918 than they had been in 1917. Wallenberg, at least, felt that his government should respond quickly to the draft heads proposal. He knew that the Western Powers were just beginning a new phase in tightening their economic policies. He believed that Sweden's opportunity for a favorable agreement would never be better.<sup>41</sup> Nonetheless the discussions deadlocked for more than two months.

<sup>38</sup> *Ibid.*, notes of February 6 & 8; Leverton-Harris to M. Wallenberg, February 7, 1918; Edéns Samling, F 956 c: 5, Draft Heads agreement, February 16, 1918.

<sup>39</sup> M. Wallenbergs Samling, notes of February 12, 1918.

<sup>40</sup> *Ibid.*, Wrangel to Hellner, February 4, 1918.

<sup>41</sup> *Ibid.*, Wallenberg to Hellner, February 18, 1918.

The major reason why such an extended delay in the negotiations took place was because of the care with which the Edén government handled the draft agreement. The Swedish government wanted both the Trade Commission and the German government to express their feelings toward the proposal. Without a broad consensus in Sweden and acceptance by Germany, the government was obviously hesitant to act.<sup>42</sup> The German occupation of the Åland islands and the rather subdued to critical public reaction to the publication of the *modus vivendi* on March 2 meant that the government's domestic position remained delicate.<sup>43</sup> Many people in Stockholm believed that the events of the past few months in Russia, at Brest Litovsk, and in Finland as well as the expected German spring offensive indicated a significant favorable shift in the fortunes of war toward Germany. These observers saw little reason to continue the negotiations with the Western Powers as they believed that the Eastern grain markets would soon be reopened and that Germany as the predominant Baltic power must be more clearly supported.<sup>44</sup> The Edén government while not sharing these feelings was uncertain of the situation. They decided to act cautiously. One ramification of this policy was an ominous silence between Stockholm and London while the Trade Commission studied the draft proposal. In this interim, Wallenberg, under growing pressure from the Western Powers in London, pleaded with Hellner to prepare a "suitable retreat" if the government decided to back out of the negotiations:

Again if the Swedish government finds that the change in the Baltic is of such a degree that Sweden has no other choice than to back out of the negotiations, tell me, so that I can prepare a suitable retreat, so that there will not be the same scandal as under the miserable Hammarskjöld government, when actually there was never an answer given to the February 2, 1917 proposal . . .<sup>45</sup>

The government did not intend to break off the discussions but Hellner did hope to get more concessions from the Associated Powers. In fact during March and April Hellner continually asked for concessions which were totally unrealistic. For example, on March 15, he requested that the shipping figures be changed from 500,000 to 200,000 tons; and on April 17, he stated that the principle that the Western Powers could not limit Swedish exports to Germany with the exception of iron ore must be accepted by the Associated Powers.<sup>46</sup> What is remarkable about

<sup>42</sup> *Ibid.*, Hellner to Wallenberg, March 23, 1918.

<sup>43</sup> Foreign Office Archive, FO 382/2065, Howard to Balfour, March 3, 1918; War Trade Board Papers, REO, Box 37, Morris to Lansing, March 7, 1918.

<sup>44</sup> *Hildebrand*, *Sveriges historia till våra dagar*, XIV (1926), p. 416.

<sup>45</sup> M. Wallenbergs Samling, M. Wallenberg to Hellner, March 15, 1918.

<sup>46</sup> M. Wallenbergs Samling, Hellner to Wrangel, March 15, 1918; and Hellner to M. Wallenberg, April 17, 1918.

these suggestions is that they come personally from the Foreign Minister and do not appear to be the product of any specific agitation in Stockholm. The Western Powers would not have any purpose for negotiating with Sweden if such proposals had been insisted upon. Hellner was clearly during March and April not bearing up well to the strain of events. There was not only no possibility of such concessions being made to Sweden, but, in fact, the prime topic of conversation in Western circles was whether or not they should adopt a harsher policy toward Sweden.

The focal point for the discussions among the Associated Powers was the need for ships. The Allies wanted to transport as much men and material as possible to France and Italy before the expected German offensive. Neutral tonnage was an important part of the potentially usable tonnage, particularly those neutral ships already in Associated ports. On February 27, the War Cabinet ordered Robert Cecil, Minister of Blockade, to find the necessary tonnage to send coal to Italy.<sup>47</sup> On March 7, the War Cabinet took the drastic step of accepting Cecil's recommendation for requisitioning of Dutch ships in Allied ports.<sup>48</sup> The reason for this unusual decision was the unsatisfactory nature of the agreement between the Netherlands and the Western Powers. The American reaction to the British proposal was mixed. President Wilson was annoyed by the British "change of face", the British themselves having opposed such a policy in the fall of 1917.<sup>49</sup> Nonetheless the Americans with strong support from Vance Mc Cormick, chairman of the WTB, agreed to the requisitioning policy which began on March 21, 1918.<sup>50</sup> Additionally on March 19, American representatives in London proposed that Swedish ships be taken as well. The British rejected the suggestion.<sup>51</sup> This proposal did not apparently have any support from Washington either but it indicated that a continued lack of success at the negotiation table might lead the Western Powers to take drastic steps. The Swedes recognized the danger.<sup>52</sup>

The idea of requisitioning Swedish ships did not die on the eighteenth. On March 28, Ambassador Howard cabled London that he, the Italian, and French Ministers supported the idea of requisitioning all Swedish tonnage in Western ports. The background to this proposal had been the leaking of the contents of the Trade Commission's report of March 21 on the draft agreement to the ambassadors and the announcement by the Edén government that a special mission would be sent to Berlin to seek Germany's approval. The Allied ministers excluding the

<sup>47</sup> War Cabinet Papers, CAB 23/5, Minutes of War Cabinet Meeting, February 27, 1918.

<sup>48</sup> *Ibid.*, Minutes of War Cabinet meeting, March 7, 1918.

<sup>49</sup> Robert Lansing Papers, desk diary, March 16, 1918, p. 75.

<sup>50</sup> *Ibid.*, desk diary, March 18, 1918, p. 77. War Cabinet Papers, CAB 23/5, Minutes of War Cabinet meeting, March 21, 1918.

<sup>51</sup> Foreign Office Archive, FO 382/2065, Minutes by Leslie on document dated March 19, 1918. War Cabinet Papers, CAB 23/5, Minutes of War Cabinet meeting, March 18, 1918.

<sup>52</sup> M. Wallenbergs Samling, notes of March 14, 1918. *Hildebrand*, p. 416.



American Ambassador, Ira N. Morris, did not believe such approval would be forthcoming, thought that Sweden would not act without German approval, and hence concluded that requisitioning would be the only solution to the tonnage question.<sup>53</sup> The proposal caused much consternation in London. Howard was a respected advisor, but the Foreign Office officials thought it ill advised to adopt such a policy especially after Marcus Wallenberg made private assurances that an agreement could be reached.<sup>54</sup> Howard however did not drop the matter easily, he noted in a long letter on March 30 that through requisitioning the Associated Powers would gain 150,000 tons more (i.e. 650,000 tons) than had been expected through the draft agreement.<sup>55</sup> This dispatch forced London to disprove the Ambassador's contention. While preparing their views, the British learned of America's attitude.

The American Ambassador had been the only Allied minister in Stockholm not to recommend requisitioning. The WTB agreed completely with Morris. They noted the bad effect the action would have on Scandinavian public opinion and that the *modus vivendi* had shown that the Swedes could be dealt with at the conference table. More importantly they did not want to make the illegal action of requisitioning standard policy toward the neutrals.<sup>56</sup> With the United States opposed to requisitioning, the proposal had little likelihood of success, however officials in London tried to disprove Howard's contentions. After much discussion among various ministries, the British concluded that while they could not agree as to the exact amount of Swedish ships in Allied ports, there was a consensus that it was less than 500,000 tons and that requisitioning would mean less tonnage than had been expected through the general agreement. In fact the Ministry of Shipping reported that the tonnage clauses in the draft were too favorable to the Associated Powers.<sup>57</sup> A conclusion which was remarkably similar to the Trade Commission's report of March 21. This meant that when the Swedes made demands for changes in the tonnage clauses, the British would be more sympathetic than they had previously been. But no progress could occur in the negotiations until the Swedish government had clarified its position.

During late March and early April, the Edén government waited to see the reaction of the Trade Commission and of Germany before renewing the negotiations. On March 21, the Commission issued its report. It proved to be a fascinating document, 38 pages in length, with every item in the draft discussed. The general tone of the report was quite bitter. The commission felt Sweden to be caught

<sup>53</sup> Foreign Office Archive, FO 382/2066, Howard to Balfour, March 28, 1918.

<sup>54</sup> Ibid., notes by Leverton-Harris and Knatchbull on Howard's dispatch of March 28, 1918.

<sup>55</sup> Ibid., Howard to Balfour, March 30, 1918.

<sup>56</sup> Ibid., Sheldon to Leverton-Harris, April 8, 1918.

<sup>57</sup> Ibid., Howard to Balfour, April 9, 1918, see notes; and Memorandum from the Ministry of Shipping, April 10, 1918.

between two forces that it could not control: the unreasonable demands of the Entente and the needs of the Swedish people and industry. The report stated that Sweden must reach agreement with the Western Powers but that ties with Germany could not be sacrificed. The commission accepted most of the principles of the draft including the concept that the Western Powers had the right to limit trade between Sweden and Germany but not the quantitative amounts specified. The most important changes suggested concerned the following: exportation of, at least, 3.5 million tons of iron ore to Germany (a 1.5 million ton reduction instead of 2 million); a reduction of tonnage totals to 400,000 tons; a better guarantee for food imports not just the "facilitation" of such goods; and a gesture of goodwill by allowing some of the goods to be sent before the agreement had been concluded.<sup>58</sup> These suggestions if adopted would have altered considerably the terms of the agreement; but more importantly, the report indicated that the Trade Commission recognized the need for such an agreement whereas they had not a year earlier. The report strengthened the position of the coalition government, yet the government continued to build their consensus carefully.

The next step for Sweden was to seek German approval for the draft. After some delay, Eric Trolle agreed to go to Berlin to get German acceptance. Hellner wrote to Wallenberg that if Trolle failed in Berlin the negotiations between Sweden and the Western Powers would collapse:

If the discussion does not come to an agreement, I don't believe that it will be possible to complete the negotiations with the West.

In the same letter Hellner opened his heart to his friend and told him of all the troubles in Stockholm over the negotiations. The Germans had been encouraged by the debate in Sweden to take a harder line. The tonnage question had provoked particularly bitter discussion and A. Axel Johnson continued to be most difficult to deal with:

You can consider yourself lucky to be living in London during these months and avoid witnessing the completely unbelievable hate which has been aroused here in Sweden toward the tonnage to be made available.<sup>59</sup>

Wallenberg while understanding the Foreign Minister's plight was not pleased with the Trade Commission report. He believed it to be quite unrealistic to assume that such major changes could be achieved at such a late negotiating stage and he stated frankly to Hellner that with the precedent of the action taken against Holland it would be quite dangerous to follow the course suggested by the report.<sup>60</sup> Everyone waited to see how the Germans would respond.

<sup>58</sup> Lindmans Samling, v. 14, dossier 9, *Statens Handelskommission* to Hellner, March 21, 1918.

<sup>59</sup> M. Wallenbergs Samling, Hellner to M. Wallenberg, March 23, 1918.

Trolle's mission was an outstanding success. Not only did Germany accept the draft agreement with few changes, but the Swedish government learned positively that Germany could not help Sweden solve its food problem.<sup>61</sup> Since the Conservatives had contended that the food shortages could be eliminated by trade with Germany, the German admission strengthened the hands of the coalition government in Sweden. Lindman had in late March and April taken a "vacation" trip to Germany and Austria probably with the purpose of talking with influential Germans about the possibility of getting food. He came back empty handed and was severely criticized in the left papers for his meddling.<sup>62</sup> The agreement between Trolle and the Germans of April 16 asked for two important alterations: a reduction of tonnage figures to 400,000 tons and a figure of 1.5 million ton decrease in iron ore shipments to Germany.<sup>63</sup> These suggestions corresponded precisely with the Trade Commission report. The success of the Trolle mission added considerable support to the position of the coalition government in Sweden and permitted Hellner and his chief negotiator, Wallenberg, more latitude in completing the negotiations with the West than they had previously had.<sup>64</sup>

The importance of the Trolle mission is hard to overstate. Just by sending a delegation to Berlin, Sweden had indicated to Germany that it wished to alter formally its neutrality policy. German willingness to approve the new policy was probably based on the recognition that it did not threaten in any important way German interests vis-à-vis Sweden. Germany had enough Swedish ore stockpiled and the proposed reduction did not threaten to endanger German production. An additional ramification of German policy was that it limited severely the type of criticism that the Swedish Conservatives could make. The outcome of the mission strengthened those in Sweden who had argued that Sweden must seek accommodation with the Entente. The remaining problem focused on the ability of the Swedish delegation in London to get some of the suggested changes in the draft

<sup>60</sup> Ibid., Wrangel to Hellner, March 24, 1918; M. Wallenberg to Hellner, March 25, 1918; and M. Wallenberg to Hellner, March 28, 1918.

<sup>61</sup> *Palmstierna*, p. 156. What reasons Germany had for agreeing so quickly to the draft between Sweden and the Western Powers is obviously an important question which this author did not have the opportunity to examine in depth. It seems likely that the very capable German Ambassador in Sweden, Baron von Lucius, perceived how favorable the terms of the agreement were to Sweden, i.e. to continued Swedish-German trade, and made clear this viewpoint in Berlin. None of Germany's primary economic interests in Sweden were challenged by the agreement.

<sup>62</sup> Foreign Office Archive, FO 382/2066, Howard to Balfour, April 9, 1918.

<sup>63</sup> Hellners Samling, v. 20, Swedish-German agreement, April 16, 1918. M. Wallenbergs Samling, Hellner to delegation, April 18, 1918.

<sup>64</sup> One interesting sidelight to the Swedish German agreement was Howard's reaction. He felt that it proved that the draft was too lenient with Sweden and he continued to press for requisitioning. Crowe, Leverton—Harris, and Cecil did not agree with him. Foreign Office Archive, FO 382/2064, Howard to Balfour, April 26, 1918, see notes.

and the ability of the Edén government to use its enhanced position in Sweden effectively.

During March, negotiations in London had been at a standstill. The only important discussions concerned Allied policy. The United States complained that the rations allocated by the draft proposal were too high and that the tonnage clauses were not high enough. The Americans wanted these items adjusted.<sup>65</sup> The British told the Americans not to worry. They believed that these problems would solve themselves because the shipping clauses implied so much use of Sweden's tonnage in the service of the Allies that Sweden would not have the necessary ships to transport the allotted goods back to Sweden.<sup>66</sup> The British did not maintain this attitude very long, by the middle of April they had indicated a willingness to the Swedes to modify their position on the tonnage question not in the direction that the Americans wished but rather toward the position of Sweden. However the British did not notify the WTB of their change in policy. The reason for this lack of communication apparently was the hope of the British to use the United States in the last stage of the negotiations as a weapon to achieve more favorable compromises with the Swedes. Wallenberg complained in March to Cecil about this tactic.<sup>67</sup> This policy was to cause much dismay once the negotiations began again in earnest.

April proved to be a frustrating month as far as progress on the negotiations was concerned. There was to be sure a great deal of discussion. Most of it centered on the idea of a goodwill gesture by the Associated Powers and the precise terms the Swedes desired for the general agreement. The latter issue caused much confusion as Hellner up to the sixteenth at least continued to ask Wallenberg for changes in the draft that were quite impossible. Wallenberg, for his part convinced that the draft should be accepted by and large as it was, suggested that Hellner mount a publicity campaign to inform the Swedish people of the earlier mistakes of the Conservatives:

... I hope that the government will make public the trade agreement of 1917 so that the Swedish people can learn how Messrs. Hammarskjöld, Lindman, Trolle, Westman, Carleson, etc., ... moved forward and hindered us from getting at the moment what we needed.

... Then perhaps Mr. Lindman will stop traveling about the country, bragging that he had got us 92,000 tons of cereal, since he forgot to mention that we, without opening the Kogrund passage, could have received much more bread products besides all the other materials, plus good relations with the Entente countries, without the need in reality of hurting our good relations with Germany.<sup>68</sup>

<sup>65</sup> War Trade Board Papers, REO, Box 37, WTB to Sheldon, March 2, 1918. The tonnage issue was being pushed by the military. Polk Papers, Polk to General Marsh, March 12, 1918.

<sup>66</sup> Foreign Office Archive, FO 382/2065, Minutes by Leslie on document dated March 19, 1918.

<sup>67</sup> M. Wallenbergs Samling, notes of March 14, 1918.

<sup>68</sup> *Ibid.*, M. Wallenberg to Hellner, April 12, 1918.

Wallenberg did however keep the negotiations going. The only important compromise reached during this period was on iron ore. On April 17, Leverton-Harris accepted the idea of a 1.5 million ton reduction. Two days later Hellner having heard from Berlin agreed.<sup>69</sup> By April 24, Wallenberg had decided on a strategy to bring the negotiations to a successful conclusion. He told Hellner that he would wait until Gunnar Carlsson, a chief aid, had returned from Stockholm with the Trade Commission report and the Swedish-German treaty. Then in intimate negotiations with the British he would go through the entire agreement, getting as much as possible in terms of new concessions. Afterwards this final compromise would be presented to all the governments concerned for acceptance or rejection in toto. All new modifications would come through the normal diplomatic channels.<sup>70</sup> Wallenberg's strategy worked on the principle of divide and conquer. He wanted to reach a compromise with the British alone and then face the United States together. This way, he correctly estimated, was the only way to deal with the Americans. There had been another kind of attempt to deal with the United States in April, a direct approach, and that had failed miserably.

The events surrounding the idea of a goodwill gesture in April shed much light on the intricacies of relations between Sweden, Great Britain, and the United States during the spring of 1918. On April 6, Hellner proposed to Howard that the Allies make a positive demonstration of their friendship for Sweden by allowing Swedish ships to sail in ballast to South America so that when the general agreement was concluded no time would be lost. He also asked that a formal promise be made that these ships would not be requisitioned.<sup>71</sup> Wallenberg pressed the British on this matter by reminding them that "if the Allies do not do something soon to support the government, then the German influence will soon be as all powerful (in Sweden) as in Finland".<sup>72</sup> The British quickly indicated their willingness to make such a gesture.<sup>73</sup> But nothing definite was discussed until the twelfth. On that day Wallenberg proposed to the British that the Western Powers permit 50,000—100,000 tons of Swedish tonnage to travel to Buenos Aires in ballast. He stressed the political importance of such a gesture. Cecil approved the proposal because he believed that the Associated Powers should help the Edén government.<sup>74</sup> The United States did not have precisely the same view.

<sup>69</sup> Ibid., notes of April 17, 1918; Hellner to Wrangel, April 18, 1918.

<sup>70</sup> Ibid., M. Wallenberg to Hellner, April 24, 1918.

<sup>71</sup> Foreign Office Archive, FO 382/2066, Howard to Balfour, April 6, 1918. Three days earlier Hellner had suggested to Howard that Branting be sent to London to explain the domestic difficulties of the Edén government. The British reaction was mildly negative. Cecil commented that such proposals argued well for an extension of the *modus vivendi*. Ibid., Howard to Balfour, April 3, 1918, see notes.

<sup>72</sup> M. Wallenbergs Samling, notes of April 6, 1918.

<sup>73</sup> Ibid., notes of April 7, 1918.

<sup>74</sup> Ibid., PM in english, April 12, 1918; Cecil to Wallenberg, April 13, 1918. Foreign Office Archive, FO 382/2066, Wallenberg to Cecil, April 12, 1918.

On April 17, the WTB decided to protest to the British for accepting the Wallenberg proposal of the twelfth.<sup>75</sup> The gist of the complaint was that the United States did not understand the political reasons for the decision even though the United States explained that it would accept the proposal “in the last resort” but only for “the most urgent political reasons.”<sup>76</sup> After much confusion, the British stated that the compelling political reason was that the coalition government had to be kept in office. Wallenberg, the British reported, had assured them that the the gesture would soon be followed by the general agreement.<sup>77</sup> Evidently satisfied with this explanation, the Americans then took up the issue of how much of the Swedish tonnage should go in ballast direct to South American and how much should call first in the United States and carry coal to Argentina. The problem had already been under discussion but the American position was less compromising than the British. A final arrangement could not be made until May 6.<sup>78</sup> This gesture of goodwill had taken a month to conclude, by that time it had lost most of its significance. The Swedes and the British had had great difficulties in dealing with the Americans. Were these disagreements based on dissimilar policies, on misunderstanding due to misinformation, or simply on bureaucratic confusion in Washington?

There is no doubt something of all of these tendencies involved in explaining the problems caused by the United States in the relations between Sweden and the Associated Powers. However the major factor in explaining American policy was simple misunderstanding based upon misinformation. American policy toward Sweden had three elements: the recognition of the rights of neutrals to maintain as much as possible of their prewar economic contacts and their political independence; a joint agreement made with Great Britain in December on the general way in which Sweden should be treated by the Western Powers; and the acceptance of the idea that Great Britain would be the chief negotiator for the Allies with Sweden and that the United States would generally follow British policy. It is easy to take lightly America’s commitment to the rights of neutrals. This commitment was strongest at the White House. Policy makers in the State Department and the WTB were not entirely in agreement with Wilson’s sympathies and tried to keep the President from “meddling”. It should be noted though that it was only Morris of the Allied ambassadors in Stockholm who protested against requisitioning and the United States generally took a dim view of such policies on principle. If one checks carefully, he will find only two or three relatively unimportant instances in the case of Sweden where the United

<sup>75</sup> War Trade Board Papers, Minutes of WTB, v. III, meeting of April 17, 1918.

<sup>76</sup> Foreign Office Archive, FO 382/2066, Reading to Balfour, April 18, 1918. See minutes of D. P. Haller, dated April 19, 1918.

<sup>77</sup> *Ibid.*, Foreign Office to Reading, April 27, 1918.

<sup>78</sup> *Ibid.*, Sheldon to Leverton-Harris, May 6, 1918, see Knatchbull’s notes.

States adopted policies clearly in contradiction to the stated Wilsonian principles.<sup>79</sup> The point to be noted however is that the net effect of American policies especially the embargo and the food policies toward the neutrals made American policy from the neutral vantage point appear to be as rigid or perhaps even more rigid than the British blockade policy. The needs of the neutrals were to be considered by the United States only after its own and its associates needs had been examined. Since supplies were limited, the neutrals had to show just cause why their desires should take priority over others. This policy had the double advantage of not contradicting Wilson's principles and of being exactly what the British wanted the United States to do. This latter point is extremely important with regard to Swedish policy.

The United States remained throughout the period under study here ignorant of conditions in Sweden. This fact even the State Department recognized.<sup>80</sup> The major source of information on Sweden for the Americans was the British. This came in the form of Howard's telegrams forwarded from London, memorandums prepared by London officials and suggestions from British representatives in Washington. Indeed, the British Ambassador in Washington, Spring-Rice, had been British ambassador in Sweden prior to taking his post in Washington. The United States agreed during the sojourn of the House Mission in Europe October—December 1917, to a joint policy toward Sweden that conformed to the British proposals of the summer, 1917 and to the concern of both partners to preserve America's natural resources for the Western Powers. After House Mission returned to Washington, the British softened their policy toward Sweden. This shift occurred because of the changing military and political situations on the fronts in the Baltic and in Sweden proper. The British did not inform officials in Washington of this change including their own representatives:

Misunderstanding in the case of Sweden appears to have arisen through Sheldon not having kept WTB informed of progress of negotiations. We were in same position and both WTB and we were surprized to learn from your telegram under reply that negotiations had reached so advanced a level.<sup>81</sup>

<sup>79</sup> See *Thomas Bailey's* United States Policy Toward the Neutrals for a thorough examination of this problem.

<sup>80</sup> Gordon Auchincloss and Lester Woolsey, important members of the State Department, were particularly concerned about the general lack of knowledge in the Department about European affairs. Throughout 1917, they tried to make some progress in remedying this problem. In the case of Sweden, they failed and accepted the idea that the United States should follow the lead of Great Britain. The State Department Papers, Woolsey Papers, and the Papers of Frank Polk all contain material on this problem.

<sup>81</sup> Admiralty Papers, AD 137/2786. Reading to Foreign Office, May 24, 1918. Lewis Sheldon was the American representative at the negotiations in London. Communications between London and Washington was generally slow and uneven.

There are numerous examples in the spring of 1918 that when Great Britain explained the reasons for their policy, the United States followed their advice. Without such explanations, the United States held tightly to the policy of the fall. It was from this perspective that the United States objected to the terms of the draft and proved to be so stubborn on the goodwill gesture. The British had their own reasons for keeping the United States in the dark.

## 5

On May 1, Wallenberg laid down the guidelines for the final negotiations with the British. In a conference with John Maynard Keynes, British Treasury representative, it was agreed in principle that cereal, fodder, and coal would serve as equivalents for tonnage while the other rations would be balanced by the loan. Also it was understood that “if we (Sweden) do not receive at least one-half of those goods for a period of a quarter, the loan size will be reduced for the next quarter in the same way”.<sup>82</sup> By making this latter arrangement, Wallenberg tried to insure a working system of guarantees on products that the Western Powers might not formally guarantee in the agreement itself. On May 6, the formal negotiations began at the Foreign Office. Leverton-Harris replaced Cecil as acting chairman. Almost immediately the negotiators agreed on the 400,000 ton figure for the tonnage clauses thus passing a major barrier in the discussions. At the same time Wallenberg warned the gathering that Sweden’s position in the Baltic had not improved in the spring and “that if an agreement could not be reached now, M. Hellner and his colleagues in the present ministry could not go on”.<sup>83</sup>

This reference to the relationship between the domestic situation in Sweden and the success of the trade negotiations would be used often for the remainder of the discussions, first by Sweden but later by the British. As a tactic it was to be spectacularly effective, but what relationship did this tactic have to the reality of the situation? This is a difficult question to answer. From Hellner’s correspondence with Wallenberg particularly in March—April, one would put great credence to the correctness of the reference. More than once Hellner stated frankly that the Edén government could not stay in power if it failed in its attempts to reopen trade with the West.<sup>84</sup> There are also a number of instances of various politicians during the same period approaching the Western ambassadors

<sup>82</sup> M. Wallenbergs Samling, notes of May 1, 1918.

<sup>83</sup> *Ibid.*, v. 3, “First meeting of Allied and Swedish delegation at the Foreign Office”, May 6, 1918.

<sup>84</sup> There is no reason to doubt the genuineness of Hellner’s remarks to Wallenberg. Hellner’s relationship with Wallenberg was open and frank. If either were liable to use the other, it was Wallenberg who would be the user. Palmstierna warned Morris of similar consequences as late as April 24, 1918. *Papers Relating to the Foreign Relations of the United States 1918*, Suppl. 1, v. 2, Morris to Lansing, April 24, 1918, pp. 222—23.



in Stockholm with the same line. The political variety of these figures negates the possibility of collusion. There is of course the possibility that these visits were done individually to soften the Allies on the trade question. Still it is difficult not to conclude that during February and March the position of the government was exposed. The trade agreement had the top priority of the Edén ministry, a failure in this area would clearly have had repercussions.<sup>85</sup> But when one tries to construct alternatives to the left coalition and its policies, great difficulties arise. The Conservatives were badly divided on the Finnish question and hopelessly at loggerheads on the constitutional issue. One can imagine some form of non-party government constructed on the basis of a more active Finnish policy and a more friendlier attitude toward Germany but that thought seems quite unrealistic after April 16. Once the report of the Trade Commission and the Swedish-German agreement had become known, the position of the coalition government was nearly unassailable. The two developments had negated the possibility of an alternative policy to the one being followed by Hellner. If there was a direct relationship between the success of the negotiations and the continuation in power of the left government, this relationship was strongest, and probably critical, before April 16. After that time, the connection between the two seems of a secondary nature, more effective as a negotiating tactic than as an observable reality.

On May 6, compromises came quickly. No question of principle remained only quantities. The next day, however, the American representative, Lewis Sheldon, dropped a bomb. Sheldon reported that the United States wanted the tonnage figure returned to 500,000 tons and the rations lowered. Speaking frankly, he said that the Associated Powers had never intended to give such high rations but that Wallenberg had by hard bargaining on individual items pushed everything too high. The United States could not accept the draft as it stood. Wallenberg retorted that the negotiations should end as they were now meaningless! The meeting dissolved with the French and the British promising to get the United States to change its mind.<sup>86</sup>

The British realized that Sheldon had spoken the truth about the rations. Before the tonnage reduction the British avoided the issue by suggesting that Sweden would not have enough ships to pick up the material anyway. They also pointed out that no guarantee had been made about the availability of most of the quantities.<sup>87</sup> This type of bargaining did not appeal to the Americans particularly Dr. Alonzo Taylor, who coordinated Swedish policy for the WTB. Sheldon's speech on the seventh had been prompted by a telegram from Taylor on

<sup>85</sup> *Gunnar Gerdner*, "Krigsslut, Vänsterseger, och Reform", in *Festskrift till Georg André*n (Stockholm, 1960), pp. 120, 124.

<sup>86</sup> M. Wallenbergs Samling, notes of May 7, 1918.

<sup>87</sup> Foreign Office Archive, FO 382/2066, Leslie to Sheldon, April 23, 1918.

the fourth.<sup>88</sup> Why had the British not kept Washington better informed of the progress of the negotiations and their views on the matter? Did the British want the United States to do exactly as it had done and make these demands and thereby get a few final concessions from the Swedes?

During the negotiations when compromises got difficult, each side relied on its favorite ruse: The British would claim that they were being pressured by the United States, while the Swedes reminded everyone of the political difficulties of the Edén government. Two times in May Sheldon presented American proposals that threatened to destroy the negotiations. In the second case on May 17, the British sent frantic telegrams to Washington to change American policy. Yet after the first incident on May 7, no evidence has been found to indicate that the British tried to alter the American position. Could the British have wanted the United States to make extreme demands on the seventh so that Sweden would be put in a difficult bargaining position for the last compromises? After May 7, Wallenberg discovered that the British were harder to deal with on rationing questions.<sup>89</sup>

Between May 7 and 17, the two most interesting developments were the reestablishment of close cooperation between Hellner and Wallenberg and the discussions over the grain rations. From February to early May, Hellner had continually sent Wallenberg requests for changes in the draft which in many cases were totally unrealistic and had been requested without any thought as to conditions in London. Wallenberg tried to get the Western Powers to accept as many of these as he could but after May 7 he was not very successful. Both Hellner and Wallenberg came to recognise that Sweden's chances for a successful agreement would not increase with time. Hellner stopped demanding numerous changes and instead began to gather support in Stockholm for ratification of the agreement. Wallenberg pressed the negotiations toward a conclusion.<sup>90</sup> The last major issue was the question of the rations.

A discussion on the rations question took place in London between the tenth and the seventeenth. The central theme of these talks was how big a ration Sweden would receive if the present clauses of the draft were activated. The United States contended that Sweden would have 570 grams per person a day while Norway had only 483. Wallenberg replied that the ration would be 508 to 483. The British using official Swedish statistics concluded that the corresponding figures would be 630 to 483.<sup>91</sup> The Americans could not understand the British position. If the

<sup>88</sup> State Department Papers, Taylor to Sheldon, May 4, 1918, 658. 119/339.

<sup>89</sup> M. Wallenbergs Samling, notes of May 9, 1918; Wallenberg to Hellner, May 10, 1918, ff.

<sup>90</sup> Ibid., Wrangel to Hellner, May 10, 1918; Wallenberg to Hellner, May 10, 1918. Wallenberg told Hellner that the critical factor in the success of the negotiations thus far had been his use of the political issue. He made a passing ironical remark about Hammarskjöld's instructions to talk no politics. See also, Ibid., Hellner to Delegation, May 13, 1918.

<sup>91</sup> Ibid., Sheldon to Levertton-Harris, May 10, 1918; M. Wallenberg to Levertton-Harris, May 13, 1918; Parmelee Memorandum, May 17, 1918. An interesting contrast to these heated

cereal rations were excessive and if the new tonnage clauses were to be accepted, the United States felt that a reduction of the cereal ration was necessary. An American official wrote to the Admiralty:

Overseas rations are calculated on a liberal scale and it has always been known that Sweden would be unable to lift them with tonnage at her disposal. WTB has always considered rations excessive and I understand they agreed to them largely on the understanding that tonnage left to Sweden would be insufficient to lift them.<sup>92</sup>

This view was underscored on May 17. The WTB had decided to protest the way in which the negotiations had developed.<sup>93</sup>

In their dispatch of the seventeenth, the WTB, inspired by Taylor, attacked nearly every important compromise made during early May. They objected to the iron ore clauses which set “practically no limitation upon Germany, particularly with respect to low phosphorous ores.” They suggested raising the tonnage figure to 500,000 tons again if Sweden was to receive concessions in raw materials. Most importantly, they proposed a drastic cut in the cereal ration even below that agreed to in December by the Allies. The Americans noted that Sweden would soon be able to purchase Russian wheat!<sup>94</sup> On the twenty first, Leverton-Harris showed Wallenberg the dispatch and called it blackmail. Wallenberg asked if it was a bluff. Leverton-Harris replied, “I don’t think it is a bluff, but they are so fearfully ignorant and ruthless. You must understand that I have had the greatest difficulties to deal with them all along”.<sup>95</sup> Leverton-Harris’s remarks were slightly ingenious, the United States had only followed British advice.<sup>96</sup> Once informed, the WTB changed their position.

It took the British seven days to convince the WTB to alter their policy. Given difficulties of communication between London and Washington, this meant almost instantaneous response on the part of the Americans to British proddings. A series of cables from London stressed that the Swedish agreement must be signed for political reasons.<sup>97</sup> The coalition government had to be protected. On May 24, the WTB gave Sheldon a free hand:

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but abstract discussion can be found in a letter of the same month from a Swedish minister in Stockholm to a friend describing conditions in the city: “The manual laborers in Stockholm are wonderfully patient—there is not any milk, butter, other fats, or potatoes and meat costs 9 to 10 crowns per kilogram here—one does not know what they live on . . .” Axel Schotte to D. Bergstrom, May 25, 1918, in *Festskrift till Georg Andrén*, p. 120.

<sup>92</sup> Foreign Office Archive, FO 382/2067, Guthrie to Admiralty, May 12, 1918.

<sup>93</sup> State Department Papers, WTB to Sheldon, May 15, 1918. 658.119/358.

<sup>94</sup> *Ibid.*, WTB to Sheldon, May 17, 1918. 658.119/378c. This latter comment on the Russian market is a good indication of how ignorant Washington was of European conditions and how rigorously the United States tried to husband its own resources.

<sup>95</sup> M. Wallenbergs Samling, notes of May 21, 1918.

<sup>96</sup> Admiralty Papers, AD 137/2786, Reading to Foreign Office, May 24, 1918.

If this amount of tonnage (400,000 tons) is definitely assured, we think it better to close agreement rather than to take the political risks incident to opposing the further modification in the agreement proposed by Sweden . . . we think that you should insist until the danger point is reached upon no increase of exports to Germany except in the case of iron ore.<sup>98</sup>

The United States was not overjoyed with the agreement but they would not block its conclusion.

The Swedes too moved quickly to complete the negotiations. On May 24, a unanimous Swedish delegation cabled a declaration to Stockholm that the agreement should be accepted as it was and put into effect by June 1.<sup>99</sup> Hellner moved rapidly to get the government to approve the draft. His actions were remarkably resolute, uncompromising, and in full support of his negotiators in London. He got Edén to support the idea that the government would sign the agreement without any complicated hearings in the Secret Committee. The plan would be to have a short meeting of the committee immediately and then after the treaty had been brought to Stockholm a more thoroughgoing examination.<sup>1</sup> On May 28, the government presented the Secret Committee with an ultimatum, either accept the treaty or the present government would resign! The Conservatives and the King, who objected to the proposed procedure and who wished to examine the draft first, had no alternatives. The government got its approval.<sup>2</sup>

While Hellner gathered support in Stockholm, Wallenberg used the time to make some last minute compromises. None of them proved difficult. One aspect of Wallenberg's activities was particularly interesting. He spent time during the last few days of the negotiations getting special letters from British officials that could be used to support the Edén government should the Conservatives mount an attack on the treaty. As Wallenberg wrote in thanking Cecil for a letter that compared how much cereal Sweden would have received in 1916 with what it was to receive in 1918, "it may be quite useful to have a weapon against the repeated assertions of my opponents that the draft agreement of February 1917 had not provided for any amounts of cereals for Sweden".<sup>3</sup>

On May 29, at 4.30 PM, the delegates from the Associated Powers and from Sweden met at the Foreign Office to sign the general agreement. After six months of difficult negotiations, an agreement had been reached that would regulate

<sup>97</sup> State Department Papers, Laughlin to WTB, May 22, 1918. 658.119/379; and Laughlin to Lansing, May 23, 1918. 658.119/382.

<sup>98</sup> War Trade Board Papers, REO, Box 37, WTP to Sheldon, May 24, 1918.

<sup>99</sup> M. Wallenbergs Samling, Wrangel to Hellner, May 24, 1918.

<sup>1</sup> *Hellner*, *Minnen*, pp. 433—434. Palmstierna, p. 174.

<sup>2</sup> Protocol, Minutes of Secret Committee meeting of May 28, 1918. Swartz Samling, "Swartz Notes", May 28, 1918.

<sup>3</sup> M. Wallenbergs Samling, M. Wallenberg to Cecil, July 1, 1918; and Cecil to Wallenberg, June 8, 1918. See also, Leverton-Harris to Wallenberg, May 28, 1918.

Sweden's relations with the Western Powers.<sup>4</sup> The home governments still had to ratify the treaty, but the delegates felt that they had done a good job. Leverton-Harris wrote Wallenberg that he believed that only because of the frankness of the two men with each other had the negotiations been successful.<sup>5</sup> Even without the diplomatic pleasantries, there is much truth in his comment. Without Wallenberg's activities and connections in both London and Stockholm, it is difficult to imagine that Sweden would have obtained such a favorable agreement. One should note that in the case of the other two Scandinavian neutrals, Denmark and Norway, who also concluded trade agreements with the Associated Powers in the late spring 1918, each was given an ultimatum by the United States to accept America's policy or face the consequences.<sup>6</sup> In comparison, the Swedes were able, largely due to Wallenberg's careful dealings with the British and to Sweden's somewhat superior negotiating position, to avoid accepting American policy as stated in the May 17 telegram. Indeed the plea of the WTB in their note of the seventeenth not to accept any increases in exports to Germany except in the case of iron ore (all other neutrals had been forced to make drastic reduction in trade with Germany) was clear proof of Sweden's success. Wallenberg stayed in London an extra week to finalize the financial terms of the agreement before traveling north to aid Hellner in gathering support for formal ratification.<sup>7</sup>

Ratification in Sweden and the United States did not prove difficult. The Secret Committee received the treaty on June 11 and discussed it two days later. The six Conservative members objected to many of the clauses and refused to vote for ratification. Ernst Trygger was particularly outspoken claiming that Sweden had received no iron-clad guarantees that the Associated Powers would return the chartered Swedish ships. The six left party delegates voted for ratification, ignoring the warnings of the opposition.<sup>8</sup> The government felt secure enough with its majority in the Riksdag to sign the treaty. Howard reported that the agreement had greatly strengthened the government's position and that the criticism of the

<sup>4</sup> U.S. Foreign Relations 1918, v. 2, suppl. 1, General agreement of May 29, 1918, pp. 1240—1273.

<sup>5</sup> M. Wallenbergs Samling, Leverton-Harris to M. Wallenberg, May 31, 1918.

<sup>6</sup> *Bailey*, pp. 127, 183—184.

<sup>7</sup> See M. Wallenberg Samling, John M. Keynes to Wallenberg, June 4, 1918 for details of the Swedish loan to the Entente. The only instances where this author found Wallenberg concerning himself solely with *Stockholm Enskilda Banks* interests was when Wallenberg suggested that the British redistribute their monies in Stockholm evenly among the major banks. Previously, the accounts had been largely deposited in competitors of the Wallenberg bank. There is no doubt that the Wallenberg family economic interests were served in other ways; but as the British concluded in 1917, it was difficult to see any major differences between the diversities of Swedish economic interests and the diversity of the Wallenberg family interests. Foreign Office Archive, FO 382/1505, Simkin to Redstrom, December 6, 1917, including the notes.

<sup>8</sup> Protocol, Minutes of the Secret Committee meeting of June 13, 1918. *Hellner*, *Minnen*, p. 435.

Conservatives had lost much of its impact after the government got German approval.<sup>9</sup> On June 14, the Swedish government officially ratified the agreement. The United States remained the only power not to have signed.

Because of constitutional problems, the Wilson administration did not want to sign the agreement in such a way that would have made Senate conformation necessary. Instead the United States received permission from Sweden to sign a letter of adherence which would bind the Wilson administration to the agreement without having to go through the ratification process. After due consideration, the United States signed the letter of adherence on June 24, 1918, and put the treaty into effect.<sup>10</sup>

## 6

Why had the Edén government been successful in reaching an agreement with the Western Powers whereas the two previous governments had failed? The most obvious answer is that the Edén government was more willing to make necessary concessions to the Associated Powers than had the earlier governments been and that a domestic consensus had congealed around the issue in support of the government's policies. Additionally an interrelated set of international factors played a critical role in the achievement of the Edén government. Most importantly, Sweden's position vis-à-vis the Western Powers which had been during most of 1917 very weak improved measurably in 1918 with the desperate need of the Allies for tonnage and the changing situation in the Baltic both of which led Great Britain to soften its policy toward Sweden and the left government particularly in 1918. Indeed the importance of the shift in British policy underscored the predominant role Britain played in deciding the fate of the trade agreement between Sweden and the Western Powers.

As one examines Sweden's relations with the Associated Powers, 1916—1918, the central role of Great Britain becomes a dominating motif. It was the British who generally made the critical decisions in regard to Anglo-American-Swedish relations, 1916—1918. This ability to be such an important factor was a product of a variety of forces which among other things led the United States to adopt and follow British policy toward Sweden and which pressured Sweden in the first place into seeking a trade agreement with the Western Powers. The British attempted to direct the negotiations in such a way as to achieve what they believed to be the maximum concessions possible from Sweden. They tried to achieve these conces-

<sup>9</sup> Foreign Office Archives, FO 371/3352, Howard to Balfour, June 14, 1918.

<sup>10</sup> There were to be many difficulties on both sides in the carrying out of the terms of the agreement. These problems were seen as outside the scope of this study as they mainly concerned the technicalities of the treaty. For some details of these problems, see Bailey, pp. 162—163.

sions by using the United States as a countervailing force to any pressures from Sweden. This policy led the British to misinform the United States about Sweden in order to achieve their desired results. But the British simply were not satisfied in manipulating America's policy, they also tried to influence Sweden's domestic developments. They deliberately keep Sweden in a difficult economic situation in the spring and summer of 1917 in order to give support to the left parties in the September election, and they sprang the Luxburg Affair in September 1917 which was a crucial factor in the resignation of the Swartz—Lindman government in early October. The purpose of these manipulations had been to achieve a friendlier Swedish policy toward the Associated Powers. To that extent British policy succeeded. Yet the Edén government was able because of Britain's earlier involvement in Sweden's domestic affairs to use Britain's activities to its own ends. The Edén government successfully played on Britain's desire to maintain the left government in Sweden in building support in London for a lenient agreement. Britain's willingness support to agreement favorable to Sweden permitted Wallenberg to achieve success in London. Sometimes a small country can use a Great Power's meddling to its own advantage.