Trade under protest.

Sweden, Japan and the East Asian crisis in the 1930s

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After the so-called “Mukden Incident” on September 18, 1931, the Manchurian question became a perennial problem for the League of Nations in Geneva, the predecessor of today’s United Nations. One of the most uncompromising critics of the actions of the Japanese military on the Asian continent was Sweden. In a much-publicized speech in the League Assembly on March 5, 1932, the Swedish delegate, Eliel Löfgren, a former Foreign Minister, condemned the situation in the Far East as guerre en tout, sauf le nom (war in all but name). He added that military operations on the territory of another power were contrary to the stipulations in the League Covenant, as well as in the Kellogg Pact. This was an obvious contradiction of the official Japanese standpoint as presented by spokesman Satō Naotake and others. It was also interpreted as a threat that the small power majority in the League might call for international sanctions against Japan. The counterattack on the small nations was fierce in the Japanese press and parliament. Sweden and the others were scolded for being irresponsible, ignorant and without any real interests in the East Asian region. Chinese reactions were predictably different and at one occasion the Swedish Consul-General in Shanghai was even officially thanked by Wang Xiaolai, chairman of the local chamber of commerce, for the “help” given to China in Geneva. Such proofs of gratitude, however, were not welcomed by the Swedes.

The Geneva organization miserably failed in its endeavor to solve the crisis and subsequently lost much of its remaining influence. This didn’t stop Swedish politicians and diplomats from continuing to voice their disapproval of Japanese expansion on the Asian continent. There were new outbursts of criticism in Stockholm (and Geneva) in 1937 and 1938 during the first years

1 Records of the Special Session of the Assembly convened in virtue of Article XV of the Covenant at the Request of the Chinese Government, Vol. I, p. 49

2 See for example Tōkyō Asahi Shinbun 5 and 6 March, Japan Advertiser 26 March or Tōkyō Asahi Shinbun 7 December 1932. A headline in the latter: “Shōkoku daityō hoeru” [Small state representatives bark]. See also the interpellation by Yamaji Jōichi (from Kokumin Dōmei) in Parliament on 22 March 1932 about Japan’s loss of goodwill in many Western states (Dai-61-kai Teikoku Gikai, Shūgiin gijū sokkiroku [61st Imperial Diet, Stenographical Record from the Lower House], No. 2, p. 16). The small states were often ironically referred to as the riron-ha (“the theoretical school”). A cartoon in the Yomiuri Shinbun, 10 December 1932, shows Matsuoka Yōsuke swinging around a dwarf-like “small state representative”.

3 Consul-General E. Wisén to the Foreign Minister, 15 December 1932 (Swedish Foreign Ministry Archives, Documents according to the 1920 file system, HP 20 G,XVII). All documents from these archives mentioned in the paper belong to the 1920 file system
of the “China Incident”. Thus political relations between Sweden and Japan can hardly be described as very cordial during the 1930s.

What about Swedish-Japanese trade during the decade? My research shows that there was no “spillover effect” from the rather bitter controversy over foreign policy and collective security. On the contrary, trade between the two countries was encouraged from both sides and continued to grow until obstacles became too severe. At the end of the 1930s Japan had been bogged down in “the Chinese quagmire”, and a new war between the Great Powers was looming in Europe. Trade relations suffered correspondingly.

Before we examine the reasons for the separation of trade from politics it is necessary to put the contacts between Sweden and Japan in the 1930s into a more comprehensive historical perspective.

**Background: Sweden goes to Japan**

In the mid-19th century the Western Great Powers forcibly opened China and Japan to international trade. However, the privileges created by the so-called “unequal treaties” were not only enjoyed by countries like Great Britain, the United States and France but also by many lesser powers. Among them were the United Kingdoms of Sweden and Norway. They were engaged in overseas trade and eager to accede to the East Asian treaty structure as signatory parties. The treaties were presumed to give a new and important impetus to global commerce. In reality they did not quite live up to such expectations.

The formal Swedish-Japanese agreement on trade and amity was concluded in Kanagawa on 11 November 1868. It was the first treaty with a foreign power signed by the new Meiji government.

Centuries earlier Sweden herself had been a country of military significance, dominating the Baltic region and exerting influence in Germany, but after defeat by Russia she had gradually relinquished her great power ambitions and accepted an existence as a peaceful member of the European state system. From the early 19th century it became a Swedish tradition to choose

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4 Redogörelse avgiven till Utrikesnämnden i enlighet med § 54 RF [Report to the Board on Foreign Affairs in accordance with § 54 of the Instrument of Government], Stockholm 1938, p. 60

5 Surprisingly the issue of Swedish-Japanese relations in the 1930s is a little-explored area among historians. An overview of Japanese political interaction with Sweden can be found in Yoshitake Nobuhiko, Nihonjin wa Hokuō kara nani wo mananda ka. Nihon – Hokuō seiji-kankei-shi [What Did the Japanese Learn From the Nordic Countries? A History of Political Relations Between Japan and Northern Europe], Tokyo 2003. The book focuses on post-1945 history

6 Ingemar Ottosson, “Unequal relations. Sweden and Japan in the 19th century”, *Hokuō Kenkyū-shi*, vol 17 (Balto-Scandia), Tokyo 2000, pp. 1-16
neutrality in the major armed conflicts of the era. Focus shifted to internal development but there was also an interest in foreign trade. During industrialization Sweden, with a small domestic market, became a country heavily dependent on exports. After 1814 she was in union with Norway which grew into a leading shipping nation.

In the late 19th century Meiji Japan had already acquired status as the principal power in East Asia, scoring a military victory over the Qing dynasty and annexing adjacent territories. Negotiations for revision of the humiliating treaties were successful at last, and in 1896 the United Kingdoms concluded a new and more equal treaty with Japan. Terms were further improved by another treaty in 1911.

1905 was a fateful year both for Japan and Sweden. Boldened by news of the Battle of Tsushima, the Norwegian Storting (Parliament) abrogated the union with Sweden in early June that year. After the formal dissolution of ties with Norway, a trade offensive was carried out in order to restore Swedish national self-esteem. The government in Stockholm invested large amounts of subsidies into regular steamship connections with distant markets in Latin America and East Asia. Some of the most optimistic visionaries dreamed of an age where commercial influence would replace military power. In 1906, a Swedish legation was opened in Tokyo with a prominent industrial figure, G.O. Wallenberg, as the first envoy. A few years later several Swedish trading companies started operations in Japan. Some of the gains from this trade offensive were annulled by World War I but Sweden had succeeded in establishing a commercial foothold in Japan.7

**Encounter on the world arena**

On January 10, 1920, the League of Nations was inaugurated. A large number of states, among them Sweden and Japan, were admitted as members. The creation of an international meeting place in Geneva facilitated encounters between all sorts of nations, between Asians and Europeans, rich and poor, weak and strong. For the first time politicians from Sweden and Japan entered into regular contact. In both countries, the 1920s were a decade of disarmament and détente with neighbors. According to F. P. Walters, a Deputy Secretary-General of the League, Japan’s delegates

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in Geneva “set a standard of courtesy, industry, and thoroughness which no others surpassed and few equalled.”

Certainly the East Asian Great Power and the North European small state had quite different agendas when they met in Geneva. Still both supported the efforts to build a new prosperous world order and both agreed on fundamental issues such as the desirability of peaceful conflict solution and global free trade. During a press interview in 1928, asked whether there was a risk of a future war between Japan and China, the Japanese envoy in Stockholm, Mushakōji Kintomo, retorted: “You don’t wage war with your best clients.”

The statutes of the League of Nations were interpreted as being incompatible with alliance politics but also with traditional neutrality of the Swedish sort. In the new world of collective security a conflict was the business of every member. Yet the governments in Stockholm hailed the organization as an important safeguard for small states and willingly accepted the principle of international solidarity. However, in case of League sanctions against aggressors Swedish politicians envisaged economic rather than military measures.

Sweden’s membership in the League of Nations offered the hitherto isolated nation a global arena where her prominent politicians could play a role out of proportion to the country’s size. In the Geneva Assembly every member state had one vote only. At times Sweden also belonged to the League Council where the permanent seats were reserved for Great Powers, for example Japan. Prime Minister Hjalmar Branting, the eloquent leader of the Swedish labor movement, became a celebrity for his passionate speeches at the Assembly sessions. He spoke of a world order where right would supersede might. International law, viewed as the indisputable and objective norm standing above dubious political considerations, should be applied to any bilateral issue. Secret diplomacy and unilateral military action were phenomena that belonged to the past. These were ideals that attracted most small states. Branting’s standpoint, often echoed by his successors, had the

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10 ”Den nye japanske Minister” [”The New Japanese Envoy”], Politiken 22 November 1928. Mushakōji was named as the successor of Yoshida Shigeru who never arrived in Stockholm due to his appointment as Vice Foreign Minister in the Government of Tanaka Giichi
additional advantage of boosting Sweden’s image as a “moral superpower”.\textsuperscript{11} Some historians have claimed that the Swedish habit of lecturing and admonishing others in the League of Nations can be explained as an attempt from a former Great Power to compensate for its present weakness and lack of significance. If so, it was a successful strategy. In the world press, Sweden, together with other Scandinavian states, gained considerable international reputation as unselfish supporters of the League. One observer wrote: ":...the political ambition of this group begins and ends with the aim for peace, a peace founded upon justice".\textsuperscript{12}

\textbf{Bilateral trade in the troubled 1930s}

Japan’s main trading partners around 1930 were the United States and China. Swedish foreign trade was mostly intra-European. As can be expected, commerce between Sweden and Japan was modest and constituted only a minor fraction of the overall Japanese trade with Europe. However Sweden exported important strategic products, such as steel, ball bearings and different kinds of advanced machinery, for example turbines and pumps. Piano wire for Japanese machine-guns was provided by Sandviken, a Swedish engineering company. Furthermore Sweden exported pulp, newsprint and certain superior qualities of paper to Japan.\textsuperscript{13} Paper tycoon Fujiwara Ginjirō of Ōji Seishi (Oji Paper Manufacturing Co.) often went on study visits to Scandinavia and played a visible role in the Japan-Sweden Society that was founded in Tokyo in 1929, with Prince Chichibu as the official patron.\textsuperscript{14} Whereas Sweden exported “high-tech” goods to Japan imports mainly consisted of cheap textiles and “Japanese curiosities” (tea, porcelain, lacquerware etc). Swedish consumer demand for Japanese goods was still low and consequently the country ran a massive trade surplus with Japan. In spite of the fact that bilateral trade was limited Japan in 1931 ranked as Sweden’s principal non-Western customer nation.\textsuperscript{15} There was also a general feeling that commerce with the Japanese market had a great


\textsuperscript{12} S. S. Jones, The Scandinavian States and the League of Nations, Princeton 1939, p. 275

\textsuperscript{13} Ingemar Ottosson, Handel under protest. Sverige och Japan på väg mot andra världskriget 1931-1939 [Trade under protest. Sweden and Japan on the Road to World War II, 1931-1939], Lund 2010, pp. 191ff

\textsuperscript{14} Shimoda Masami, Fujiwara Ginjirō kaiko 80-nen [Fujiwara Ginjiro – Recollections From 80 years], Tokyo 1949, pp. 245ff

\textsuperscript{15} Ottosson 2010, pp. 21ff
future potential. This would prove entirely correct and forty years later even the most sanguine forecasts had been distanced by reality.

<table>
<thead>
<tr>
<th>Year</th>
<th>Exports to Sweden</th>
<th>Imports from Sweden</th>
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<tbody>
<tr>
<td>1928</td>
<td>812 750</td>
<td>10 766 854</td>
</tr>
<tr>
<td>1929</td>
<td>864 661</td>
<td>11 025 186</td>
</tr>
<tr>
<td>1930</td>
<td>939 090</td>
<td>8 634 489</td>
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<tr>
<td>1931</td>
<td>1 239 769</td>
<td>8 580 826</td>
</tr>
<tr>
<td>1932</td>
<td>1 610 281</td>
<td>9 826 582</td>
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As can be grasped from the above figures, Japanese exports to Sweden, admittedly starting from a low level, doubled from 1928 to 1932. This, however, was only the beginning of a period of spectacular export success for Japanese goods, not only in Sweden but in Europe as a whole. A jubilant Fujiwara claimed that his country’s exports to Europe had grown from 127 to 227 million yen in only two years (1932-1934). One obvious reason was the depreciation of the yen in December 1931, occurring together with the rising demand among depression-ridden Swedish consumers for affordable garments, toys, boots and bicycles. During the same time imports from Sweden grew from 9,83 to 23,1 million yen which is also impressive. Perhaps it was inevitable given the Japanese rearmament during that “exceptional time” (hijōji as it was called in Japan).18

In fact trade with Japanese companies was even more significant than revealed by these official figures. The massive Swedish imports of soy products from Manchukuo appeared in a separate column and in Swedish statistics this trade was altogether invisible. As Sweden did not acknowledge

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18 Ottosson 2010, pp. 191ff
the existence of Manchukuo every transaction with the empire was subsumed under the heading of “China”.19

The state of international trade warfare that followed the global depression was viewed with utmost concern by the government in Japan as well as in Sweden. Both had much to lose in the new world of prohibitive tariff and non-tariff trade barriers. After 1932, the newly-elected Social Democrat cabinet in Stockholm tried to maintain the free-trade principle in its dealings with foreign powers but with mixed success. At the same time a growing opinion in business circles and among workers’ unions demanded resolute measures to stop what they saw as Japanese “dumping” of cheap export commodities in Sweden.20 The government answered by raising the porcelain tariffs to some extent but trade friction was never serious enough to aggravate bilateral relations. After all Swedish tariffs were substantially lower than those of many other European nations.21 This did not prevent the new envoy in Stockholm, nationalist Shiratori Toshio, from demanding swift reprisals under the Trade Protection Act (Tsūshō-yōgo-hō) if there was any sign of discrimination against Japanese articles.22

The separation of trade from politics

In a study of modern Sino-American relations (“Trade and Human Rights”, Aldershot & Burlington 2003) Susan C. Morris defines three theoretical perspectives on trade and politics, the realist, radical and liberal platforms. It is a useful interpretative framework that can be equally applied to the situation in the 1930s.

The “realist” viewpoint considers foreign trade as an activity motivated by power and the quest for security. Questions about international morality are irrelevant. The opposite outlook is represented by the “radicals” who are deeply concerned with moral aspects. They want to limit or even ban trade with régimes they see as involved in “immoral behavior”, be it violent oppression of domestic critics or illegitimate use of military force against

19 Informal PM Concerning Swedish Trade with Japan, Manchukuo, Siam and Java, 18 October 1937 (Swedish Foreign Ministry Archives, HP 64 Xj,1)

20 Claims that Japanese exports constituted “dumping” were rejected by opinion leaders such as Torgny Segerstedt, editor-in-chief of Göteborgs Handels- och Sjöfartstidning [Gothenburg Trade and Shipping Gazette], and Professor Bertil Ohlin, a prominent Swedish economist (Ottosson 2010, pp. 214ff)

21 Ottosson 2010, pp. 227ff

22 Shiratori to Foreign Minister Hirota 29 March 1934 (Japanese Foreign Ministry Archives, Documents from the Early Shōwa Era, E.3.1.2.X1-SW1)
neighboring states. The “radicals” nurture a strong belief in the possibility of changing the policies of such régimes by way of economic pressure. Finally there exists a third position, the “liberal” one, according to which foreign trade always brings positive effects. Commercial interaction will, almost automatically, contribute to more openness and better mutual understanding. This will enhance prospects for peace and prosperity. Thus it is not productive to curb trade for political, “moral” or any reasons whatsoever.23

Notwithstanding their habitual “moralistic” small state approach to foreign matters, the Swedish governments in power during the 1930s were all adherents of the “liberal” perspective above. In the tense international climate after the Great Depression vulnerable Sweden needed all the foreign trade she could get. To distinguish between “desirable” and “less desirable” trading partners was not a workable option. Rather the national household had to prepare for a possible general war in Europe. Products such as soy beans, for instance, could be an important nutrient and were stored in preparation for future food shortages. During World War I the Swedish population had suffered from a trade blockade by belligerents and in 1917 there had been hunger demonstrations. This was still in vivid memory.24 Attitudes from the era of neutrality, when Sweden had been careful not to give trade favors to any one side in a conflict, also lingered on.

Swedish leftists might condemn trade with powers such as Germany and Japan (the Soviet Union was hardly mentioned), using the arguments of the “radical” school. In 1938 they even, unsuccessfully, tried to organize a consumer boycott against Japanese goods in Sweden. It was a result of their indignation after the bombing raids targeting civilians in Chinese cities. Their attempts to argue for severing trade contacts with Japan, however, were seldom consistent. On the one hand they claimed that trade was insignificant and that a break-off would in no way hurt Sweden. On the other hand they emphasized that even a unilateral Swedish trade embargo against Tokyo would affect Japan and probably force the government to mend its ways.25

Decision-makers in Stockholm chose to ignore this public opinion. They could safely refer to the fact that the League of Nations had not moved to adopt any sanctions against the states in question. The idea that trade and politics ought to be separated was most explicitly developed by the Foreign

23 Susan C. Morris, Trade and Human Rights. The Ethical Dimension in U.S. – China Relations, pp. 15ff
24 Ottosson 2010, pp. 38, 62
25 Ottosson 2010, pp. 276ff
Minister of the Social Democratic government, Rickard Sandler: “It is imperative that we clearly recognize that as long as democracy, Bolshevik dictatorship, National Socialist and Fascist authoritarian régimes exist side by side in our world, nations have to find a tolerable way of living together, solve the livelihood problems and maintain the necessary economic context. We should never obstruct the possibilities for peaceful co-existence between states with different political systems, just because we have a firm conviction regarding their character.” Sandler warned for a moralist “crusading spirit” which would arouse antagonism and in the end endanger national security. This could be construed as self-criticism because Sandler’s government took an openly hostile attitude to Japanese expansion in the East. However it is doubtful whether Sandler noticed such implications. His speech was about trade and trade only. And as a matter of fact Swedish foreign trade was conducted independently of politics. Gadelius K.K. and other trading firms from Sandler’s nation supplied strategic products for armaments in Japan and Manchukuo. (As already noted, the authorities in Stockholm did not recognize the government in Xinjing, today’s Changchun.) At the same time, Bofors, a Swedish arms manufacturer, exported large amounts of anti-aircraft guns and ammunition to Chiang Kai-shek’s army.

From the Japanese side there were few good reasons to let political discord lead to a reduction in bilateral trade. Steel and ball bearings from Sweden obviously contributed to the strengthening of the country. Heavy and chemical industry was developing rapidly in Japan during the 1930s but there was still much need for imported goods. Official dissatisfaction with the trade imbalance was rather a testimony of eagerness to increase Japanese sales in Sweden. As late as in December 1939, Fujiwara Gijnjirō, soon to become Minister of Commerce and Industry in the Yonai Cabinet, claimed that Japanese exports had splendid prospects in Sweden which was not a “British-German domain”.

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27 Ingemar Ottosson, “Mission och vapenexport – Sverige och Kina på 1930-talet” ["Christian Mission and Arms Export – Sweden And China In the 1930s"], Orientaliska studier [Oriental Studies] nr 107, Stockholm 2001, pp. 3ff. For Swedish commerce with Manchukuo in the 1930s, see Swedish Foreign Ministry Archives, HP 64,Xm

28 Stig Sahlin, PM concerning Swedish-Japanese trade relations 10 May 1938, Swedish Foreign Ministry Archives, HP 64,Xj,1

29 ”Wartime Economics Abroad: 4 Scandinavian Countries Offer Great Possibilities For Trade; Japanese Need Only Forge Ahead”, Osaka Mainichi & Tokyo Nichi Nichi 24 December 1939
A goal conflict solved

After the definitive failure of the League of Nations became evident in the mid-1930s, disillusioned Swedish decision-makers started the retreat back to a traditional policy of neutrality. This was greeted with applause by Japanese diplomats – and dismay on the Chinese side. The Swedish “reverse course” gradually eased the dilemma that had haunted every government in the early part of the decade: the goal conflict between diplomacy and trade policy.

According to the classical thesis of political scientist Arnold Wolfers states strive to fulfill two main kinds of national objectives: possession goals and milieu goals. The former refer to the quest for military and material benefits for the country, the latter to the need to create a desirable international environment of some sort. While the former goals are associated with “state egoism”, the latter ones are more “altruistic”. A more pedagogical approach might be to subdivide the goals clearly into three groups: security, welfare and milieu goals. They must not, however, be understood as mutually exclusive. Furthering abstract milieu goals, for instance by demanding respect for international law in the League of Nations Assembly, can be an indirect way of serving more egoistic purposes, such as enhancing national security.

What the Swedish government faced from 1931 onwards was the sharp contradiction between the welfare goal of furthering foreign trade and the more “altruistic” urge to support the League of Nations in its struggle for a safe and peaceful world. If welfare concerns were given priority, Sweden had better interact with Japan. If the emphasis was put on milieu concerns, Sweden had better keep a distance to Japan. It was just like today’s world where similar goal conflicts are felt by governments and state leaders in many parts of the globe.

In the Swedish case, the political problems caused by the Japanese challenge of the world organization in Geneva ebbed out in the late 1930s. Official criticism of Japanese expansion ceased along with the return to “business as usual”. This volte-face did not get much public attention. Popular opinion was focused on the imminent danger of war in Hitler’s Europe, and on the ambitious social reform policy of the Center-Left

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30 Envoy Wang Jingqi from Stockholm to Nanjing, 5 April 1937 (Second Chinese National Archives, Foreign Ministry Documents, Reports from the Legation in Sweden 18:3423). Cf. a secret telegram from Kong Xiangxi, Vice Chairman of the Executive Yuan, to the Chinese ambassador in Paris 1938 (without date). It was deciphered by Japanese intelligence and says that China does not have much further assistance to expect from the small states (Japanese Foreign Ministry Archives, Documents from the Early Shōwa Era, A.1.1.0.30-23)

31 Arnold Wolfers, Discord and Collaboration. Baltimore 1962, pp. 73ff
coalition government in Stockholm. These were the years when the modern Swedish welfare state was built. Anyway Japan and Sweden were on speaking terms again. It was something more than just diplomatic jargon when Japanese envoy Matsushima Shikao in a statement from 1940 described relations between Sweden and his country as “exceedingly good”.32