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# “A Comparatively Small Market, But Which Is Still Worth Taking into Consideration”: Britain and the Economic Attraction of Finland after World War I

Esa Sundbäck

## Introduction

In the aftermath of World War I, British economic interests began addressing the new ex-Russian states of the eastern Baltic. In this context, it has been British interests in Estonia, Latvia and Lithuania rather than in Finland that have been the focus of scholarly interest.<sup>1</sup> This has been for well-argued reasons. The British considered the Baltic States as a bridge for Anglo-Russian trade, giving more weight to these states than to Finland in British expectations and practical policy. In Britain's Baltic policy, Finland was not important as a possible transit country to Russia;<sup>2</sup> neither was she believed to offer large-scale volume for British exports.<sup>3</sup> However, these two facts do not justify disregarding Britain's proportionately lower economic interests in Finnish markets than in Baltic State's markets. It cannot be said that the latter situation did not exist. In 1919, Finland (along with Poland, the Baltic States Yugoslavia, Czechoslovakia and Romania) was included within the British Exports Credit Scheme,<sup>4</sup> that is, a credit system by which His Majesty's Government contributed to British exports to countries of uncertainty of payment.<sup>5</sup>

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<sup>1</sup> David Kirby, “A Great Opportunity Lost? Aspects of British Commercial Policy toward the Baltic States 1920–1924”, *Journal of the Baltic Studies*, vol. 5, no. 4 (1974) and especially Merja-Liisa Hinkkanen-Lievonen, *British Trade and Enterprise in the Baltic States, 1919–1925*. (Studia Historica 14. Helsinki 1984).

<sup>2</sup> For the background to different British standpoints to Finland and the Baltic States as a gateway to Russia, see Esa Sundbäck, “The Baltic States, Finland, and British Economic Expectations in the Early 1920s”, *Journal of Baltic Studies* vol. 33, no. 3 (Fall 2002).

<sup>3</sup> Regarding the smallness of the Finnish markets in 1926 and 1927, it is illustrative that Sir Ernest Rennie, British Minister to Helsinki, characterized Finland as mentioned in the title of the article. Rennie (Helsinki) 10.2.1926 to Chamberlain. FO 371/11752:124–128 and Rennie (Helsinki) 12.1.1927 to Chamberlain. FO 371/12656:1–6.

<sup>4</sup> Hinkkanen-Lievonen, op. cit., p. 206.

<sup>5</sup> For the scheme, see Marie-Louise Recker, *England und Donauraum 1919–1929. Probleme einer europäischen Nachkriegsordnung* (Veröffentlichungen der Deutschen Historischen Instituts in London. Band 3, Stuttgart 1976), 48–51 and Hinkkanen-Lievonen, op. cit, pp. 205–209.

Some points demand closer attention to Britain's economic interests in Finland. For Finland, the British timber market was of enormous significance, comprising 36–44% of the total volume of timber exports in the early 1920s.<sup>6</sup> Finnish imports consisted largely of foodstuffs (in the early years of independence). The one-sidedness of Finnish exports and imports, and the fact that Britain was the major importer of principal exports, stimulated British expectations of an increase in their corresponding exports to Finland, perhaps even to capture these markets.<sup>7</sup> In this connection, the British notion of Finland as a country whose industry was expected to develop and, furthermore, whose coal consumption was expected to increase, provided the prospect for enlargement of UK exports in the long term.<sup>8</sup>

However, to understand Britain's broader economic interests in Finland, one has to be aware of the other factors that influenced British considerations of Finland as an object of the UK export trade. Studies relating to the 1930s rather than those to the post-World War I and early 1920s periods provide some answers. In the first case, the politics of the UK towards exploiting the dependence of Finland (and Denmark) primarily contributed to arousing British interests in these countries.<sup>9</sup> However, in the early 1920s, certain general factors enabled British exports to Finland. Fundamentally, the British motive in Finland was part of Britain's wider project to expand her export trade to Central and Eastern Europe to compensate for losses in overseas markets to the Americans,<sup>10</sup> to secure a foothold in the post-

<sup>6</sup> In 1920, 44% of the production of Finnish timber was shipped to Great Britain. In the following years the figures were as follows: in 1921 36%, 1922 40%, 1923 42% and 1924 42%. Jorma Ahvenainen, *Suomen sahateollisuuden historia* (Helsinki 1984), pp. 324, 328 and 330.

<sup>7</sup> William Mead, "Anglo-Finnish Commercial Relations since 1918", *Baltic and Scandinavian Countries*, vol. 5, no. 2 (1939), p. 119.

<sup>8</sup> *Ibid.*, p. 118.

<sup>9</sup> For studies in which the question related to the 1930s has been dealt with, see Harm Schröter, *Aussenpolitik und Wirtschaftsinteresse. Skandinavien in Kalkül Deutschlands und Grossbritanniens 1918–1939* (Europäische Hochschulschriften, reihe III, bd. 195. Frankfurt am Main 1983); T. J. T. Rooth, "Limits of Leverage: The Anglo-Danish Trade Agreement of 1933", *Economic History Review*, ser. 2, vol. 37 (1984); *Ibid.*, "Tariffs and Trade Bargaining: Anglo-Scandinavian Economic Relations in the 1930s", *Scandinavian Economic History Review*, vol. 34 (1986); Tim Rooth, *British Protectionism and the International Economy: Overseas Commercial Policy in the 1930s* (Cambridge University Press, 1992). It has to be mentioned that in his study on the role of (Finnish) economic interest groups in the formulation of Finland's foreign trade policy, Juha-Antti Lamberg has shown how the British conducted a policy of pressure in the Anglo-Finnish trade negotiations of 1933. The focus of Lamberg's study is Finnish pressure groups at the 1933 trade negotiations considering the analysis on British motives towards Finland at this time; Lamberg backs his study on previous works of Rooth. Lamberg does not touch on the question of British earlier economic interests in Finnish markets after World War I and the early 1920s. See Juha-Antti Lamberg, *Taloudelliset eturyhmät neuvotteluprosesseissa. Suomen kauppasopimuspolitiikka 1920–1930 -luvulla*. Bidrag till kännedom Finlands Natur of Folk 154. Helsinki 1999.

<sup>10</sup> For the effects of British overseas losses to Britain policy, for instance in the Danube region, see Alice Teichova and Penelope Ratcliffe, "British Interests in Danube Navigation after 1918", *Business History*, vol. 27, no. 3 (1985), pp. 283–284.

war Anglo-German trade rivalry and,<sup>11</sup> generally, to find markets to lift post-war British industry out of depression. However, more accurate factors can be suggested. A trade triangle occurred in Anglo-Scandinavian/Baltic-German trade in which Germany was not only a competitor but a partner for Britain.<sup>12</sup> In this context, Finland was a market that provided space for both British and German exports.<sup>13</sup> Throughout the early 1920s, Finnish imports of spinning material and coal were predominantly from Britain. In 1920, because of internal disturbances in Germany, Finnish importers of metals and chemicals turned their business from Germany to Sweden, Norway and partly to the UK. However, as was the case with British and German exports to the Baltic States, in the long term Germany became the main supplier of imports of metals, chemical products, colonial products (articles such as sugar were included in this class) and machines into Finland. At the time, the difference between British and German exports to Finland in textiles was negligible. With the exception of wines, France exported the same goods to Finland as the British for the most part.<sup>14</sup> Furthermore, the incapability of the Finnish textile industry to supply the domestic market was a factor that created a gap for the British export of textiles, spinning material and cotton. It could be said that, in total, it was the above factors that largely prompted British general interest in Finland.

The presumption of this article is that there were also other factors that pushed British attention towards Finnish markets. Factors such as British beliefs, concepts, expectations and views related to Finland, for instance British belief in their capability to compete successfully with Germany in the Finnish markets was also a promoter of Britain's interest in Finland. After 1921, when the British were alarmed by the overpass of German trade in many Scandinavian and Baltic markets, the existence of such abstract beliefs related to Finland cannot be underestimated.

Having brought "British economic interests" into focus, certain premises have to be discussed. In the case of Finland, it is noteworthy that after 1921 the significance of Finland, as concerned British foreign policy, was by nature one of commerce and

<sup>11</sup> For the strength of the anti-German motive in British politics in the above-mentioned areas, see, e.g., B.-J. Wendt, "England und der deutsche 'Drang nach Südosten'. Kapital Beziehungen und Warenverkehr im Südosteuropa zwischen den Kriegen" (Deutschland in der Weltpolitik des 19. und 20. Jahrhundert. Hrsg. I. Geis und B.-J. Wendt) (Düsseldorf 1973), pp. 483–512; W. G. Grüner, "British Interest in der zwischenkriegszeit. Aspekte britische Europapolitik 1918–1938" (Gleichgewicht-Revision-Restauration. Hrsg. K. Bosl.) (Munich 1976), pp. 85–115; P. L. Cottrell, *Aspects of Western Equity Investment in the Banking Systems of East Central Europe. International Business and Central Europe 1918–1939*. Ed. by Alice Teichova and P. L. Cottrell (New York 1983), pp. 311–316 and Salmon, op. cit., pp. 238–240.

<sup>12</sup> Hinkkanen-Lievonen, op. cit., pp. 146–147.

<sup>13</sup> See Salmon, op. cit., pp. 241–243.

<sup>14</sup> For instance, the Official Finnish Statistics stated that the increase in French imports to Finland between 1924 and 1925 was caused by greater quantities of French spinning material. For Finnish imports from Britain, Germany and France, see Official Statistics of Finland I, Foreign Trade Statistics (hereafter SVT) 1925, 21–23. For the reference to 1920, see Mackie's "Report on Economic, Financial and Industrial Condition in Finland 1920". Mackie (Helsinki) 12.2.1921 to Curzon. FO 371/6770:10–22. For British and German exports to the Baltic States and conclusions about the Anglo-Baltic-German trade triangle, see Hinkkanen-Lievonen, op. cit., pp. 145–147. See also Salmon, op. cit., pp. 241 and 244.

economy rather than one of politics and strategy.<sup>15</sup> Furthermore, the question has to be posed who was actually creating “British economic interests”? In recent studies discussing great power interest in certain small states in the inter-war period, the perspective of foreign policy and cartels, the latter as factors influencing economic activity and as a means of promoting the state’s economic aims in other countries, has generally been emphasized.<sup>16</sup> After World War I the promotion of (British) economic interest played an elementary part in British foreign policy. The state did its best to harness British foreign administration to the promotion of foreign trade.<sup>17</sup> The economic standpoint became a dominant factor in British Baltic policy, especially from the time of British post-war stagnation from 1920 onwards.<sup>18</sup> Governmental protagonists for their part cannot therefore be ignored as elements creating “British economic interests” abroad.

On the other hand, it is misleading to speak of “British interests” as an attitude sharing the same objectives and ways of thinking. The way government officials viewed some country has to be distinguished from that of individual British entrepreneurs. For instance, there were systematic efforts made by His Majesty’s Government to promote British trade through official commercial gazettes published to provide British traders with information on the prerequisites for increasing trade in certain markets. Finland was no exception. However, individual British traders did not respond to these government aims. It would be superficial to explain above dualism as being caused simply by the Board of Trade’s (hereafter BT) or the Foreign Office’s (hereafter FO) perspective being broader than that of British businessmen, which was more businesslike and profit-seeking, covering one single commodity or article. Fundamentally, it is not exclusively a question of British views on Finland but partly a question of the wider nature and construction of British foreign trade efforts after World War I. Actually, the gulf in outlook was affected by long-standing beliefs and values that characterized the mutual relationship between commerce and state in Britain. In this sense, Finland offers an insight into the structural distance between state and business in Britain after World War I.

Briefly, the article explores Britain’s consideration of Finland as an object of British export trade, separating the question into two parts; first, how the Finnish market existed for British bureaucrats and, second, for individual traders at the time of the Armistice and in the early 1920s.

<sup>15</sup> For arguments in defence of the conclusion, see Esa Sundbäck, *Finland in British Baltic Policy. British Political and Economic Interests Regarding Finland in the Aftermath of the First World War* (Suomalaisen tiedeakatemian toimituksia 315. Helsinki 2001), pp. 229–249.

<sup>16</sup> Schröter, op. cit.; Recker, op. cit.; Hinkkanen-Lievonen, op. cit.; Patrick Salmon, *Scandinavia and the Great Powers 1890–1940*. (Cambridge University Press, 1997).

<sup>17</sup> For this, see Sundbäck, op. cit. (2001), p. 264.

<sup>18</sup> *Ibid.*, pp. 256–257.

### **The British and the Armistice-related Arguments to Reopening Trade with Finland**

The War finally led to Armistice on 11 November 1918. The development strengthened British presumptions of Finland as a country forced to reject her political orientation towards Germany.<sup>19</sup> This view of Finland also stimulated British economic consideration of Finland, an enemy country that had been under the Allied embargo caused by her pro-German alignment of 1918. The exact arguments to reopening trade with Finland are significant because they expose Britain's Armistice-related motives vis-à-vis that new country.

In November, Finland was counted as a neutral country,<sup>20</sup> and at the beginning of December the Allied Blockade Committee suggested that Finland would be so treated and be allowed to trade – in order to contribute to the general trade in Baltic – with Scandinavian countries and with the Baltic States.<sup>21</sup> In addition, the Embargo officials defended the decision on the freeing of trade relations with Finland by mentioning that there were certain raw materials needed by Britain, such as timber. Trade was to be opened up quickly because it was against British interests for Finnish trade to be directed to the United States and the Scandinavian countries.<sup>22</sup> The ministry's concern about the strengthening American economic position in Finland was promoted by the on-going American-Finnish negotiations on the release of Finnish funds for buying foodstuffs.<sup>23</sup> Accordingly, British firms were encouraged to begin trade with Finland even before the official decision on the relaxing of the Embargo was made.<sup>24</sup>

In the next section, each of the Embargo officials' arguments is taken into closer analysis. At the outset, we have to highlight Britain's need of timber as an argument stimulating British Armistice-related interests in Finland.

Britain's expanded demand for timber, especially in the post-Armistice situation as mentioned in the research,<sup>25</sup> was one argument heard from the Embargo officials. But timber was not the only source of British interests in Finland. The other two premises of the Embargo officials mentioned were backed by British war-

<sup>19</sup> Eino Lyytinen, *Finland in British Politics in the First World War* (Suomalaisen tiedeakateman toimituksia 207. Helsinki 1980), pp. 188–190.

<sup>20</sup> Meeting of the Allied Blockade Committee 29.11.1918. FO 371/3349:157–181 and War Trade Intelligence Department, "Summary of the Blockade Information Nov 29–Dec 5.1918." CAB 24/71:135–137.

<sup>21</sup> Meeting of the Allied Blockade Committee 29.11.1918. FO 371/3349:157–181; War Trade Intelligence Department, "Summary of the Blockade Information Nov 29–Dec 5.1918." CAB 24/71:135–137.

<sup>22</sup> Ministry of Blockade 20.12.1918 to the Foreign Office. FO 371/3207:273–276.

<sup>23</sup> For these negotiations, see Juhani Paasivirta, *Ensimmäisen maailmansodan voittajat ja Suomi* (Porvoo 1961), pp. 93–100 and Kalevi Holsti, *Suomen ulkopoliittikka suuntaansa etsimässä vuosina 1918–1920* (Helsinki 1963), p. 34.

<sup>24</sup> E.g., the Board of Trade Journal 16.1.1919, "Finland: Description of the Markets".

<sup>25</sup> E.g., Ahvenainen, op. cit., p. 327.

time experiences in Scandinavia and the Baltic. The argument of seeing Finland's significance as a supporting factor for the anti-German mutual trade in the Baltic repeated an old idea formulated in the previous spring of 1918.<sup>26</sup> Finnish trade with other neutrals in the Baltic was then considered as promoting Baltic trade generally, a highly desirable trend in British Baltic policy at this time.<sup>27</sup> The function of Finland, provided it distanced itself from being a political and economic satellite of Germany, was to forestall trade with Germany. This older aim was just as desirable for the British around the Armistice as it had been in spring 1918.<sup>28</sup>

On the other hand, the threat of Finnish trade and finances going to the United States was one of the two arguments strongly influencing the thinking of the Embargo officials. The use of this notion indicates that the fear of American competition stimulated British aims towards reconnecting trade relations with Finland. Understanding these two standpoints requires a wider exploration of Britain's war-time policy in Scandinavia, especially British concern about Germany and the United States in that area.

World War I stimulated Britain's policy of an anti-German trade campaign after the war. Although Germany was defeated in 1918, her economic potential threatened the position of Great Britain because the war solved Britain's problem of Germany militarily and politically, but not economically. The more the significance of the economic warfare increased, the more the British became alarmed about their ability to compete with the Germans in the post-war circumstances. The Paris Resolutions of 1916 had signalled a clear indication of the Allies' part in starting an anti-German campaign, especially in neutral markets after the war.<sup>29</sup> The German penetration to the Baltic in the spring of 1918 brought Scandinavia and the Baltic to a part of the above-mentioned scheme. Consequently, the anti-German perspective began to dominate the British view of the possible economic usefulness of Finland despite the latter's alignment with Germany. In the spring of 1918, it led to the idea that this country, provided that she rejected her pro-German policy sooner or later, would support, in British plans, the Baltic mutual trade excluding Germany.<sup>30</sup>

On the other hand, the threat of Anglo-American trade rivalry was also a defining feature in respect of British war-time policy in Scandinavia. The Allied Embargo (license trade with the neutrals) had allowed American enterprises to penetrate the market of Sweden after 1915 more effectively than previously. Consequently, U.S. exports to Sweden were three times greater than before the war, while British exports decreased.<sup>31</sup> The entry of the United States into the war

<sup>26</sup> For the most illustrative source of the British general policy of resisting the presumed post-bellum dominance of Germany in the Baltic and for how Finland was connected with this premise in the spring of 1918, see memorandum by Lieutenant-Colonel Harry A. Wade (British military attaché to Copenhagen) "The Prospects of Scandinavian League", 28.3.1918. FO 211/474/1871.

<sup>27</sup> War Trade Intelligence Department, "Summary of Blockade Information Nov 29–Dec 5.1918." CAB 24/71:135–137.

<sup>28</sup> E.g., see the minutes by Bland 8.8.1918 and 9.10.1918. FO 382/1932/136242.

<sup>29</sup> For the Paris Resolutions, see V. H. Rothwell, *British War Aims and Peace Diplomacy* (Oxford 1971), pp. 268–271; Robert Bunselmayer, *The Cost of War. British Economic War Aims and the Origin of Reparation* (Hamden, Connecticut 1975), pp. 35–40 and Peter Cline, *Winding Down the War Economy: British Plan for Peacetime Recovery, 1916–1919* (London 1982), pp. 163–166.

<sup>30</sup> See note 26.

<sup>31</sup> The Board of Trade Journal 10.6.1920, "The Swedish Market".

in 1917 did not prevent the activity of American firms in Scandinavia because the joint Allied Embargo was not implemented until spring 1918.<sup>32</sup> Although the Embargo was a joint Allied measure, the British foreign administration and individual traders both considered that the Americans had penetrated the markets of Sweden by taking advantage of the break between British firms and their old Scandinavian customers. In 1918, many British traders complained that they have been forced to postpone their delivery of goods because of the lack of licences. Worst of all, they knew that many of their Scandinavian customers had turned to American suppliers.<sup>33</sup> It could be said that the Embargo resulted in a British awareness of the strengthened foothold for American exports to Scandinavia, and this, together with the knowledge that the Americans were able to produce more cheaply than the British, confirmed Britain's fear of future Anglo-American trade rivalry in Scandinavia. All this increased the scepticism of the Board of Trade. At the time of the Armistice, this ministry did not rely on the opportunities of British traders because it feared that very little of the share the British had lost to Americans in the war-time trade was coming back. However, it did its best to encourage British traders to reconnect their trade in Scandinavia and,<sup>34</sup> consequently, at the time of the Armistice, many British firms rushed to establish their broken ties with old customers in Scandinavia.<sup>35</sup>

There was another reason for the general emphasis on Scandinavia in British Armistice-related economic policy. The proximity of Scandinavia to Britain had increased its general significance. At the end of 1918, the Board of Trade saw Europe and Scandinavia as the main objective for post-war British foreign trade. The argumentation behind this decision revealed the general problems of the British post-war export trade. The Board of Trade stated that the wartime production of armaments had reduced the ability of British industry to produce peacetime goods, while the corresponding ability of the U.S. and Japan had remained the same. Britain's competitors were thus well prepared to satisfy the post-war demand of the neutral countries for consuming goods. Finally, the Board of Trade considered that the shortage of tonnage and transportation rendered it worthless for the British to begin competition with the Americans and Japanese in overseas markets.<sup>36</sup> Consequently, the British gave extra weight to Scandinavia.

<sup>32</sup> Board of Trade, undated memorandum "Proposed visits of Scandinavian businessmen to the UK", May 1919. BT 90/15.

<sup>33</sup> E.g., T. H. Rigby & Co. Ltd. 20.12.1918 to Lloyd George. BT 7.1.1919 to the FO. BT 12/150.

<sup>34</sup> Board of Trade, undated memorandum, "Proposed visits of Scandinavian businessmen to the UK." BT 90/15 (paper 17).

<sup>35</sup> Howard (Stockholm) 13.7.1918 to the FO. FO 368/1992/126370; memorandum by O. S. Phillpotts to Esmé Howard. Howard (Stockholm) 8.3.1918 to the FO. FO 382/1992/62849; John Heathcoat & Co. 19.12.1918 to Sir Ian Heathcoat Amory, Bart, and 1.1.1919 to Robert Guedalla, Esq. BT 7.1.1919 to the FO. BT 12/150; T. H. Rigby & Co. Ltd. 29.12.1918 to Lloyd George. BT 7.1.1919 to the FO. BT 12/150; Board of Trade 19.2.1919 to the FO. BT 12/150; Carruthers Brothers Ltd. 3.3.1919 to the BT. BT 11.3.1919 to the FO. BT 12/150; the Board of Trade Journal 22.1.1920, "The Scandinavian Markets" and 10.6.1920, "The Swedish Market".

<sup>36</sup> In early 1919, the Board of Trade demonstrated the significance of the proximity of Scandinavia. See Board of Trade, memorandum "Blockade Restrictions on Exports" 25.1.1919. Board of Trade 11.2.1919 to the Cabinet. CAB 24/74:GT-6789. See also the Board of Trade Journal 22.1.1920, "The Scandinavian Market".

Certain conclusions can be drawn with regard to Finland. Significantly, all the factors that rendered Scandinavia significant for Britain at the time of the Armistice reflected British individual economic consideration of Finland too. The connection between those factors making Scandinavia of wider importance for Britain and, on the other hand, the transformation of these same standpoints, in a smaller scale, into British individual consideration of Finland is an important explanation at the time of the Armistice. The forceful British emphasis on the threat of American trade competition was characteristically an Armistice-related phenomenon. This anxiety in late 1918, and partly in 1919, has to be seen as a psychological alarm caused by the general wartime increase in Scandinavia's economic position in relation to Britain, but also by the fact that when World War I ended sooner than expected the British were shocked by the realization of how necessary it was to find new markets against in competition with America – something they were not fundamentally prepared for.

Significantly, the same mechanism became apparent in the activity of individual British traders too. In December 1918, when the Board of Trade had announced that Finland was released from the Allied Embargo, private British firms enquired about trade opportunities with that country. The arguments of Doulton & Co. Ltd., Davies & Royale and W. M. Cooks & Sons Cotton Brokers for starting trade with Finnish customers are interesting. The first two based their enquiries on having received enquiries from their old Finnish customers.<sup>37</sup> Cooks & Sons referred to the announcement about the abandonment of trade restrictions with Finland, but complained that the export of cotton was not free of restrictions, and that according to their Finnish customer the Americans had already issued licenses for the exports of American cotton to Finland.<sup>38</sup> In the case of Armistice-related interests in Finland, among British traders it was generally a question about the re-connection of links with old customers but, as a new feature, this activity arose strongly from the fear of losing markets to the Americans.

### **New Contributors to British Economic Consideration of Finland in the Early 1920s**

In the early 1920s, new kinds of stimulators began to influence the attractiveness of Finland for British economic interests. The combination of three factors is important: firstly, that of the British image of Finland as a country making an exceptional recovery; secondly, the firmness of Anglo-French competition in Finland; and, thirdly, the British presumption of decreased German superiority in Finland were all factors that prompted Britain's interest in Finnish markets.

<sup>37</sup> Davies & Royale had been the agent of a Finnish paper mill "Tornator" before the war. The Finnish Papermill Association (Suomen Paperitehtaitten Yhdistys) had offered Finnish paper to this British firm. Later, from 1919 onwards Davies & Royale was the agent of the Finnish Papermill Association in Britain. Correspondingly, Doulton & Co. Limited had traded with a Finnish firm named Aktiebolaget Machinery. Private letters by Doulton & Co. Ltd. 17.1.1919 and 22.1.1919 to the BT and Davies & Royale 18.12.1918 to the BT. BT 30.1.1919 to the FO. BT 12/150.

<sup>38</sup> Private letters of W. M. Cooks & Sons Cotton Brokers 14.1.1919, 16.1.1919 and 4.2.1919 to the Board of Trade. BT 12/150.

In February 1922, Ernest Rennie, British Minister to Helsinki, drew attention to Finland by emphasizing the wealth and population of the country, which he felt justified the claim that her importance, viewed from an East European standpoint, seemed to be in excess of what she would be entitled to as an individual state.<sup>39</sup> In October 1922, George Ogilvie-Forbes, from the Foreign Office, rated Finland very highly. At a time when “nearly all the countries of Europe are groaning [under] grave financial and economic embarrassments”, he drew Foreign Office attention to “one brilliant exception, namely, the present prosperous condition of Finland.”<sup>40</sup> Correspondingly, Cecil Mackie, Commercial Consul to Helsinki, noted that although the financial and economic situation in most European countries continued to be unsettled, Finland had been able to show a remarkable recovery.<sup>41</sup> Furthermore, President Kysant, on opening the Anglo-Finnish Section of the London Chamber of Commerce, maintained that “of the countries of Europe, Finland could boast of one of the most stable exchange [rates]”.<sup>42</sup> What was new in these characterizations was that Finland was considered valuable for British trade on a European scale. What was the background for the new factor in Finland’s attraction for the British?

The above standpoint to Finland can be explained as an interaction between the impetus of how the British saw the problems of its foreign trade when the post-war boom ended in stagnation and unemployment in Britain and, on the other hand, as a counterpart to this, the pull of that factor how Finland appeared for the British as seen from the above perspective.

The relation between the increase in British expectations of Finland and perception of the state of British industry cannot be overstated. In 1921, the British were faced with the fact that after a short post-war boom caused by shortages of goods, the British economy was in decline. The post-war boom which ended in April 1920 with high prices and production costs was ended by the fall in the price of raw materials. British merchants had to sell their goods at a high price to unwilling buyers who cancelled or postponed their orders while waiting a decrease in the prices of manufactured goods. An additional reason for this difficult situation was the reduced ability of most foreign countries to buy British goods caused by the decline in the purchasing power of Britain’s customers. The Board of Trade went far in its stressing of the unfavourable effects which the depreciation of foreign currencies had caused. In September 1921, the Board of Trade regarded this phenomenon as the fundamental cause of the lack of British export trade and as the main reason for British economic problems.<sup>43</sup>

<sup>39</sup> “Annual Report on Finland, 1921”. Rennie (Helsinki) 14.2.1922 to Curzon. *British Documents of Foreign Affairs* (hereafter BDFFA), II, A, 5, pp. 368–389.

<sup>40</sup> Ogilvie-Forbes (Helsinki) 28.10.1922 to Curzon. FO 371/8103:235–239.

<sup>41</sup> Mackie’s “Report on the Economic, Financial, and Industrial Conditions of Finland for 1922.” Rennie (Helsinki) 24.3.1923 to Curzon. FO 511/33.

<sup>42</sup> Minutes of the first meeting of Anglo-Finnish Section 10.12.1923. Archives of the London Chamber of Commerce, ms 16,529/1. Guildhall Library.

<sup>43</sup> Board of Trade memorandum “Trade in Relation to Unemployment”, 26.9.1921. Minutes of the Board of Trade council 9.8.1921. BT 198/9 and Meeting of the Provisional Advisory Council 16.2.1921. BT 197/1.

In 1921, the situation was aggravated by Germany offering only a restricted market to British goods, contrary to previous expectations. Worst of all, in the same year German trade exceeded that of the British on many foreign markets.<sup>44</sup> The post-war stagnation and the discovery of Germany as a dangerous rival in foreign markets therefore stimulated British selling into foreign markets. Seen against these alarming analyses, together with the British realizing their Export Credit Scheme had not met the expectations placed on it,<sup>45</sup> the recovery of countries like Finland acquired extra significance in the views of the Board of Trade and the Foreign Office. This idea described more the deep-rooted anxiety of the British caused by the effects of the fall of European currencies to the UK exports than recovery of the Finnish economy in the sense of a really existing phenomenon.<sup>46</sup> It has to be remembered that in the context in which the British calculated Finland at this time, that is, the group of ex-Russian states of the Eastern Baltic, in the case of Finland the first signs of improvement (in the Finnish economy) became visible earlier than in the Baltic States.<sup>47</sup> In these circumstances, for the British the news from Finland gave birth to the vision of this country as offering exceptionally promising opportunities for British trade relative to other parts of Europe. The practical basis for such strong expectations were, in fact, as the British depression worsened in 1921–1922,<sup>48</sup> the gradual improvement of the Finnish mark from 1921 to 1922, as the British interpreted it optimistically, and the trade balance achieved in 1922.<sup>49</sup> These two facts created an image of Finland as an exceptional customer for British goods, especially between 1921 and 1922 and to a lesser degree in 1923. In spite of the re-thinking of earlier optimistic views, in 1923–1924 the British still considered

<sup>44</sup> Board of Trade memorandum “Germany as a Possible Aid for the Sale of British Manufacturers”, 9.2.1921. BT 90/17: paper 55.

<sup>45</sup> E.g., see the minute by O’Malley 23.6.1921. *Documents of British Foreign Policy*, XXVIII, 57–62 and minute by Maxse 20.7.1921. FO 371/6776:5–9.

<sup>46</sup> The improvement in the value of the Finnish mark had to be seen as a turn for the better after a deep fall began in 1919. Examples of variations in the Finnish mark (against the British pound) are as follows. Due to the removal of restrictions in fiscal policy, the Finnish mark began to weaken in 1919. In December of that year the rate was FIM 120. The depletion of Finland’s foreign currency reserves caused a return to restrictions in currency dealing at the turn of the year 1919/20. Despite this, the increase in value of the Finnish mark continued. In March 1920 it was FIM 75 and in October 1920 FIM 180, December 1921 FIM 223; the average for 1922 was FIM 186 for the pound sterling. The annual quotations were between 108 and 310 in 1921, while in 1922 it was 175–237. By comparison, in 1913 the rate had been FIM 21. Mackie (Helsinki) 12.2.1921 to Curzon. FO 371/6770:10–22; “Finland: Annual Report 1922”. Rennie (Helsinki) 20.1.1923 to Curzon. BDFA, II, F, 5, 344–363; Rennie (Helsinki) 24.3.1923 to the FO. FO 511/33. For Finnish fiscal policy, see Leo Harmaja, *Effects of the War on Economic and Social Life in Finland* (New Haven, CT 1933), pp. 54–57 and A. E. Tudeer, *Suomen Pankki 1912–1936* (Helsinki 1939), pp. 110–111, 146–148.

<sup>47</sup> In 1923, Lithuania was the only Baltic State that could balance its budget. However, the significance of this was diminished by the fact that Lithuania was considered the most disabled of the three (because of its use of two different currencies up to 1922, political disputes with Poland, a conflict with Russia and the fact that Lithuania’s factories had been ruined by foreign occupation). Estonia was able to balance her budget as late as 1926. “Annual Report: the Baltic States 1923”. Vaughan (Riga) 29.2.1924 to the FO. FO 371/10376:150–192. For Estonia, see The Board of Trade Journal, June 1927 “Estonia. Economic Conditions in 1925 and 1926”.

<sup>48</sup> For the deepening slump in the British economy, see W. N. Medicott, *British Foreign Policy* (London 1967), pp. 93, 148–149 and 220–223.

<sup>49</sup> See Rennie (Helsinki) 24.3.1923 to the FO. FO 511/33. For the Finnish trade balance in 1922, see Harmaja, op. cit., pp. 40–41 and Halme, op. cit., pp. 174–175.

Finland a small country in excellent economic health.<sup>50</sup> Significantly, the image of Finland, whose economic development the British saw through the spectacles of their own trade problems, backed the British demand to attain a trade agreement, a development which started in 1921.

It is not surprising that French commercial activity in Finland also stimulated British attraction. In 1919, the French Government had informed the Finns about the obstacles in French-Finnish trade relations caused by the Finnish prohibition law. This dispute not only concerned Finnish prohibition of alcohol but the license system enforced by Finland.<sup>51</sup> To reinforce her demands, in April 1921 France imposed a four-fold increase in customs duty on Finnish timber flooding into France compared with Swedish imports. The disagreement was resolved by a settlement in which Finland offered considerable reductions on French exports to Finland, while Finnish timber obtained most favoured nation (hereafter quoted as m.f.n.) treatment in France.<sup>52</sup>

In January 1921, the British, alarmed by French aims in Finland, stated their preparedness to start negotiations on a Trade Agreement.<sup>53</sup> The Finnish Government was unwilling to consent to the m.f.n. treatment because it wanted a free hand in its own trade and customs policy. The freedom in custom politics was considered essential for a small country whose currency was not stable. The British suggestion of a m.f.n. treatment did not allow a fundamental advantage for Finnish exports to Britain because "England is any case a country of Free Trade," but, instead, it would have meant considerable loss of custom incomes for the Finns and the danger of the break off the French-Finnish talks and worst of all, would have bound the Finns' hands, the Finnish Government in September 1921 instructed its trade committee to break off the negotiations, seizing an opportunity to minimize the advantages which British trade was assumed to be getting in Finland.<sup>54</sup>

After the start of new negotiations in March 1922, the same factors as in 1921 made it impossible for the Finns to agree to the British m.f.n. suggestion.<sup>55</sup> The Finnish negotiators were instructed to try to obtain British admittance for the concessions the Finns had given to France.<sup>56</sup> Under the pressure of British firms complaining about French competition in Finland and after several parliamentary

<sup>50</sup> E.g., in December 1923, having heard about Finland's balanced budget for 1924, Maxse offered this small country as an "excellent example, which even some of the Great Powers might do well to emulate." Minute by Maxse 20.12.1923. Rennie (Helsinki) 10.12.1923 to Curzon. FO 371/9298:124–126.

<sup>51</sup> Jorma Kallenautio, "Finnish Prohibition as an Economic Policy Issue", *Scandinavian Economic History Review*, vol. 29, no. 2 (1981), pp. 208–209.

<sup>52</sup> Ahvenainen, op. cit., p. 325 and Kallenautio, op. cit., p. 209.

<sup>53</sup> British Embassy 11.1.1921 to Holsti. FO 371/6768:147–148. After an official initiation, the negotiations only got going as late as March 1922 caused by the Finns' direct breaking off these negotiations earlier. Rennie (Helsinki) 14.3.1922 to Curzon. FO 371/8098:55–76.

<sup>54</sup> Finnish Ministry for Foreign Affairs, Memorandum by Department of Trade Policy on instructions on how trade agreements should be prepared hereafter 8.9.1921. File 32. Holsti MSS. See also Reino Kuusi, "Henrik Ramsay ja maamme kauppasopimusneuvottelut Englannin kanssa 1921–1923 ja 1932–1933". (*Henrik Ramsay: – Minneskrift*: Herbert Anderson, Ragnar Numelin och Karin Ramsay) (Helsingfors 1958), pp. 69–70; Asko Korpela, *Suomen kauppasopimusneuvottelut* (Liiketaloudellinen tutkimuslaitos, monisteita 16. Helsinki 1966), p. 84. See also Lamberg, op. cit., p. 61.

<sup>55</sup> Rennie (Helsinki) 21.9.1922 to Curzon. FO 511/26.

<sup>56</sup> Kuusi, op. cit., p. 72.

questions and newspaper articles in 1922–1923,<sup>57</sup> the Board of Trade was anxious to press the Finns to grant British firms equal rights, as they felt disadvantaged in relation to their French competitors.<sup>58</sup> The Foreign Office thus declared the attainment of equality with France on the Finnish market to be the main object of the negotiations.<sup>59</sup> This notion was also made clear to the Finnish negotiators and,<sup>60</sup> throughout 1922 and 1923, the Foreign Office was inclined to break off the negotiations unless the Finnish Government acceded to British insistence on m.f.n. treatment.<sup>61</sup> Some factors strengthened the demand of British bureaucrats of the m.f.n. treatment. The British saw that Finnish obstinacy in opposing such a demand was caused by the fact that the Finnish side was dependent on businessmen who had their own affairs to look after, a view suggesting that the British side counted on the preparedness of the Finnish government not to let the agreement die.<sup>62</sup> On the other hand, for their own purposes, British business circles encouraged the officials. For instance, Henry McGrady Bell, director of well-known timber company Price and Pierce, informed the Foreign Office that in Finnish business circles m.f.n. treatment for British goods was “of course taken for granted”.<sup>63</sup> The final agreement was signed on 13 December 1923.<sup>64</sup> Signing was enabled by Finland’s concession to British demand because they were concerned about incorporating Finnish paper into the (British) Safeguarding of Industries Act.<sup>65</sup> On the other hand, on the Finnish side the idea that for political and economic reasons Finland could not afford to lose the treaty paved the way for the Agreement.<sup>66</sup>

British emphasis on achieving an Anglo-Finnish Trade Agreement was largely a countermeasure against France, not Germany.<sup>67</sup> This can be explained by the special attention the British gave to French activity in Finland and, we can

<sup>57</sup> For the pressure applied by individual firms, see J. & J. Colemann Ltd. 16.8.1923 to the FO. FO 371/9296:14–15; Donald Lowe & Co. 30.5.1923 to the FO. FO 511/32; Gourrock Ropework Co. Ltd. 14.6.1923 to the FO. FO 511/32 and BT 20.2.1922 to the FO. FO 371/8098:16–18. For Parliamentary questions on 15.2.1923 and 2.7.1923, see the minute by Warner 14.12.1922. FO 371/8099:48–49.

<sup>58</sup> Board of Trade 20.2.1922 to the FO. FO 371/8098:16–18.

<sup>59</sup> Foreign Office 13.4.1922 to Rennie. FO 511/26; minute by Ogilvie-Forbes 5.9.1923. FO 371/9296:45–50.

<sup>60</sup> Kuusi, op. cit., p. 75.

<sup>61</sup> Kidston (Helsinki) 24.2.1921 to Curzon. FO 371/6768:162–163; minute by Leeper 10.3.1922. FO 371/8098:27–36; minute by Ogilvie-Forbes 23.10.1923 to Warner. FO 511/26.

<sup>62</sup> Minute by Ogilvie Forbes 23.10.1923 to Warner. FO 511/26.

<sup>63</sup> Ogilvie Forbes (Helsinki) 9.12.1922 to Curzon. FO 511/26.

<sup>64</sup> Rennie (Helsinki) 12.12.1923 to Curzon. FO 371/9296:126–146.

<sup>65</sup> “Annual Report on Finland for 1923”. FO 371/10425. For Finnish activity in the final stage of the trade negotiations, see “Memorandum on regulations concerning customs and freedom in source of livelihood included in British suggestions in the trade agreement”, 17.1.1922. File 32. Holsti MSS. The *Safeguarding of Industries Act*, drafted in 1921, was a law to protect certain vital areas of British industry by import duties of 33 1/3 percent against competition from countries with weak currencies. Medlicott, op. cit., p. 147. See also Kuusi, op. cit., p. 69.

<sup>66</sup> Kuusi, op. cit., p. 77.

<sup>67</sup> For references to the British fear of France in Finland, see the Board of Trade 20.2.1922 to the FO and the Foreign Office 13.3.1922 to the BT. FO 371/8096:16–18 and 27–36; see also FO 13.4.1922 to Rennie in Helsinki. FO 371/8098:101–104.

conclude, by British underestimation of the Germans as their rivals in Finland at that time.<sup>68</sup>

We suggest some explanations regarding the primacy of the threat of France. Around 1921–1923, when the French were negotiating trade agreements with Finland and the Baltic States,<sup>69</sup> French activity in any form provoked strong reaction in British foreign policy. Generally, indeed throughout the Baltic, the danger of France gaining an economic foothold in Finland was based on the logic of economic position being seen as a first step in the strengthening of France's political influence. In Estonia, Anglo-French competition was different from Finland. The Franco-Estonian treaty was signed on 1 January 1922 on a similar m.f.n. basis for goods imported from France to Estonia and partly on the principle that Estonia would give reductions in customs dues for significant French export goods. Before the signing of the Franco-Estonian treaty, British traders had enjoyed m.f.n. treatment in Anglo-Estonian trade since July 1920.<sup>70</sup> This means that in the above circumstances Finland offered a scene, to a greater extent than for instance Estonia, for the general Anglo-French competition in the Baltic, that is, the Anglo-French rivalry derived from the wider disagreement these powers had in Europe.<sup>71</sup>

We also have to consider the structure of British and French trade with Finland. Although France, with her share of 1–3% cannot be said to be a serious threat to the British share of 17–27% of total imports to Finland,<sup>72</sup> the individual British enterprise or trader was alarmed by a French firm trying, in many cases, to sell exactly the same goods to Finland. The fact that France did not have the same foothold in the Finnish market as the British had did not mean that the individual British trader ignored the French competition, especially when the firm recognized the French company as a rival by rights. In many cases it was question of articles intermediated from some other country than England, a fact explaining the great

<sup>68</sup> In 1922, Rennie concluded in his *Annual Report on Finland* that “the British traders have apparently little to fear [from] this German competition” in Finland. The conclusion is interesting, especially from the point that in the first part of 1921 German exports to Finland had surpassed exports from Britain. Rennie's trust rested on the conviction of the high prestige of Great Britain in Finland, and the notion that fluctuations between the Finnish and German mark would prevent the quotation of fixed prices. And, in addition, that “the Finnish purchaser is beginning to discover the advantage of buying from Great Britain, where not only fixed prices are quoted, but these, in many cases, are lower than those asked by German producers.” It is remarkable that Mackie was also optimistic in 1922 on British prospects in the competition with the Germans. “Annual Report on Finland for 1922”. Rennie 20.1.1923 to Curzon. FO 371/9297:111–125. See also “Report on the Economic, Financial and Industrial Conditions of Finland for the Year 1922” by Mackie. FO 511/25. For British views on pro-British sentiments in Finland at this time, see also Rennie (Helsinki) 1.9.1924 to Curzon. FO 371/10421:165–169.

<sup>69</sup> For French negotiations, see, e.g., Lowdon (Riga) 9.12.1922 to Curzon. FO 371/8072:155–156.

<sup>70</sup> Hardinge (Paris) 9.1.1922 to Curzon. FO 371/8064:157–159 and Hinkkanen-Lievonen, op. cit., p. 143.

<sup>71</sup> Hinkkanen-Lievonen, op. cit., pp. 110–111 and John Hiden, *The Baltic States and Weimar Ostpolitik* (Cambridge 1987), p. 108.

<sup>72</sup> Britain's share in the value of imports to Finland was as follows: 1919 27%, 1920 27.6 %, 1921 19.8%, 1922 21.8%, 1923 18.4%, 1924 18.7% and 1925 17%. France's share was 1919 0.4%, 1920 0.8 %, 1921 1.3%, 1922 1.5%, 1923 1.9%, 1924 2.4% and 1925 3%. SVT I 1919, 12–12; SVT I 1920, 14–16; SVT I 1921, 17–19; SVT I 1922, 17–19; SVT I 1923 23–25; SVT I 1924 21–23, SVT I 1925 21–23 and SVT I 1926, 16–17.

anxiety of these firms.<sup>73</sup> Many British traders therefore complained loudly to the Foreign Office and the Board of Trade about the harmful effects of French preferential treatment in Finland.<sup>74</sup> It could be said that in the case of Anglo-Finnish trade negotiations the influence of individual British firms on Britain's foreign trade policy related to Finland was at its highest, because in these ministries the complaints were planted in fertile soil. In addition to the officials' fear of the strengthening of French influence, two extra factors can be suggested. Firstly, officialdom drew attention to the fact that French exports to Finland, though still not very large (as noted) have more than doubled since the Franco-Finnish treaty of 1921.<sup>75</sup> Secondly, there is an indication in the fear that a devaluation of the franc would have given a superior weapon for French exports to Finland, a standpoint influenced by British alarm about German trade methods. For instance, in his report for 1923, Cecil Mackie concluded that France had been able to compete in certain lines, in which hitherto she had been unable, owing entirely to the weakening franc.<sup>76</sup>

On the other hand, the British did not recognize the Germans as their most immediate threat in the Finnish market immediately after Germany's overtaking of British exports to Finland in 1921. Of all the eastern Baltic border states in which Germany surpassed British exports in 1921, Finland was distinguished from the Baltic States in one important respect: she seemed to offer Germany the poorest prospects for long-term success.<sup>77</sup> Two explanations may be suggested. Of the ex-Russian border states of the Eastern Baltic, it was Finland throughout the early 1920s where German superiority over Britain was least apparent considering the relative market shares of total imports. Furthermore, where Britain saw a rise in exports from a country (to Britain) as a lever by which to increase its own exports, the relative volume of each country's exports to Germany became significant. In the case of Finland after 1921, as shown in the table, Germany's percentage share, compared to the percentage of exports to the UK, was generally smaller than it was in Baltic state exports (except Estonia in 1921).<sup>78</sup> During the years immediately after 1921, these factors underpinned British presumption that German superiority

<sup>73</sup> Donald Lowe & Co. was one of the firms complaining about French competition in Finland. In this case the article was silk goods. Joseph Travers & Son was another example of trying to export colonial goods.

<sup>74</sup> E.g., G. E. Hilton (acting British Consul) 30.11.1922 to Ogilvie Forbes. FO 511/26; Donald Lowe & Co. Ltd. 30.5.1923 to the FO. FO 5.6.1923 to the BT. FO 511/32; J. & J. Coleman Ltd. 16.8.1923 to the FO. FO 371/9296:14–15.

<sup>75</sup> Mackie 29.10.1923 to DOT. FO 511/32.

<sup>76</sup> Mackie's "Report on the Economic, Financial and Industrial Condition of Finland 1923, dated March 1924." FO 511/37.

<sup>77</sup> However, compared to Scandinavian countries, the setback caused by German penetration in 1921 was the most dramatic one in Finland. See Salmon, *op. cit.*, p. 241.

<sup>78</sup> To illustrate how these two things were related, in 1921 when Mackie reported on the German overtaking in Finland's imports, he found it relevant to mention that Germany's purchases from Finland were only one-third of those of the UK. See Mackie (Helsinki) 2.7.1921 to DOT. BDFA, I, A, 5, pp. 184–185.

Table 1. The role of Britain and Germany in the export trade of Finland, Estonia, Latvia and Lithuania 1920–1925 (percentage of the total value of each country)<sup>79</sup>

|      | Finland |         | Estonia <sup>80</sup> |         | Latvia |         | Lithuania |                    |
|------|---------|---------|-----------------------|---------|--------|---------|-----------|--------------------|
|      | UK      | Germany | UK                    | Germany | UK     | Germany | UK        | Germany            |
| 1920 | 43.0    | 4.7     | 45.2                  | 3.9     | 67.5   | 1.2     | –         | 44.4 <sup>81</sup> |
|      |         |         |                       |         |        |         | –         | 80.0 <sup>82</sup> |
| 1921 | 33.7    | 11.0    | 39.6                  | 3.9     | 35.6   | 17.9    | 27.1      | 51.3               |
| 1922 | 37.0    | 8.7     | 22.2                  | 12.7    | 40.3   | 13.0    | 39.0      | 36.2               |
| 1923 | 41.3    | 6.2     | 34.1                  | 10.8    | 46.3   | 7.6     | 26.9      | 43.3               |
| 1924 | 40.2    | 9.1     | 33.5                  | 22.6    | 41.5   | 16.4    | 27.9      | 43.0               |
| 1925 | 37.0    | 13.4    | 25.0                  | 31.2    | 34.6   | 22.6    | 24.2      | 50.7               |

in Finland would not be permanent but temporary.<sup>83</sup> We can conclude that the existence of such an idea backed British economic interests in Finland.

Despite the activity of British traders in the trade negotiations, for individual British firms foreign trade policy was not the only field in which to pressure British officialdom. British firms tried to defend their group interest by influencing British loan policy to Finland. Some firms put forward claims for damages to the Finnish state. These concerned spoilage or loss of timber bought by British agents, or the confiscation implemented by the Finnish Reds in 1918 of British goods destined for Russia. The FO supported these firms in their claims on the Finnish government. The firms also pressured the FO to use its influence to prevent British loans for Finland. However, the efforts were not wholly successful. For political reasons, the FO generally favoured the loan request of the eastern Baltic small states, but met with persistent Treasury opposition. The failure of Finnish loan requests in London money markets was not necessarily caused by British official support for the claims of these firms, but by the British business world's general distrust of the existence of ex-Russian states in the eastern Baltic and, later, the difficult situation caused by the stagnation in British money markets that cut down Finnish loan requests from the UK. Generally, it can be said that the City acted independently of the state bureaucrats. However, in the spring of 1922, when the Anglo-Finnish disagreement on interest rates for bonds bought by foreigners was at its highest and, simultaneously, when trade negotiations finally started after Finnish prolongation, the FO and the Treasury used their influence on Hambros, the British Bank of

<sup>79</sup> The data on the Baltic States are drawn from Hinkkanen-Lievonen, *op. cit.*, table 9, page 282. For Finnish data, see SVT I 1920, 14–15; SVT I 1921, 17–18; SVT I 1922, 17–18; SVT I 1923, 23–24; SVT I 1924, 21–22 and SVT I 1925, 21–22.

<sup>80</sup> Figures for 1920 and 1921 refer to weight and not to value.

<sup>81</sup> September–October.

<sup>82</sup> November–December.

<sup>83</sup> For this presumption, see, e.g., Mackie's "Report on the Economic, Financial and Industrial Conditions in Finland for 1922". Rennie (Helsinki) 24.3.1923 to the FO. FO 511/33. In his Annual Report for 1922, Rennie concluded that "to sum up, although Germany – the old reactionary Germany – may, on the whole, be better known, and possibly, in educated circles, be better liked, there is no country for which greater feelings of respect are entertained than for Great Britain." Annual Report on Finland for 1922. FO 511/25. See also DOT 26.6.1922 to the FO. FO 371/8103:55–60.

Northern Commerce and Schroeders not to grant loans to the Finns.<sup>84</sup> However, the Board of Trade opposed the idea, saying that m.f.n. treatment was a matter of considerable importance for British trade.<sup>85</sup> It is not clear how much the action of the Foreign Office and the Treasury was stimulated by the pressure of British firms complaining to the Finnish state.

Furthermore, as an example of the involvement of British firms in British loan policy, it should be noted that British timber traders attempted to oppose the growing American influence in the Finnish timber and paper industry. In 1921, Price and Pierce mediated a loan from Hambros Bank to Gutzeit. The loan was largely a counter measure to United States' interests in the Finnish timber and paper industry in this year.<sup>86</sup> In 1927, Price and Pierce contacted the Finnish Foreign Ministry to let them know that the Finns' close association with the Balts would make it impossible for them to get loans from the City. The Foreign Office suspected that British timber merchants had disseminated the conception in British business circles about the russification of the Baltic States. In the case of Price and Pierce, the Foreign Office wondered about the firm's ideas on the re-absorption of the Baltic States into Russia, presuming them to be caused by the Finnish and Scandinavian timber industries working together. Consequently, the Foreign Office suspected that Bell's aim was to prevent a similar kind of cooperation between Finnish and Baltic State timber producers.<sup>87</sup>

The Anglo-Finnish Trade Agreement of 1923 helped fulfil expectations of increased British trade to Finland by removing the hindrances to British exports to the country. During 1924, British exports to Finland increased, stimulated by m.f.n. treatment in 1923 from 848,094,585 to 884,318,937 Finnish marks. In the same year, German exports to Finland decreased from 1,564,403,557 to 1,410,719,252 Finnish marks.<sup>88</sup>

However, the treaty did not alter the great paradox of British post-war economic interests in this country, that is, for bodies such as the Board of Trade and the Foreign Office, Finland seemed to offer greater prospects than the trade fulfilled in practice. This was a feature that characterized British economic views of Finland throughout the interwar period. The concept was justified by the fact that, despite the high expectations flowing from the Anglo-Finnish Trade Agreement, the proportional increase in British trade was no more than that of many other countries. For instance, the proportional increase (13%) in British exports to Finland from 1923 to 1924 was lower than that of Denmark (36%) and France (50%) and equal to that of the United States.<sup>89</sup> British anxiety over the proportional

<sup>84</sup> FO 11.3.1922 to Rennie at Helsinki. FO 371/8101:126–129.

<sup>85</sup> "Report on the activities of the BT during the period ending Wednesday March 22, 1922". BT 196/15.

<sup>86</sup> For Hambro's loan of 1921, see minute by Stevenson 21.1.1921. Dot 17.2.1921 to the FO. FO 371/5757:16–18 and DOT, "Memorandum respecting the activities of Dr. James E. Campbell in Finland" 18.1.1921. FO 511/17.

<sup>87</sup> Minute by Palairé 28.1.1927 to Rennie and Rennie's reply 26.2.1927. FO 371/12563/146–149.

<sup>88</sup> "Finland, Annual Report 1924." Rennie (Helsinki) 16.3.1925 to Chamberlain. FO 511/43.

<sup>89</sup> *Ibid.* and DOT 8.10.1924 to the FO. FO 371/10422:152–155. MacKillop had compared the increase of these countries' imports to Finland from January to August in the year 1923 and 1924. See also Mackie's "Report on the Economic, Financial and Industrial Conditions of Finland 1924". Mackie 7.3.1925 to Rennie. FO 511/43.

increase (but not over the absolute quantity of these countries' exports to Finland) indicates Britain's aim of capturing the lion's share of the Finnish market in the early 1920s. Furthermore, what is interesting in British observations on the effects of the Anglo-Finnish trade treaty was that British diplomats in Finland now devoted more attention to German exports to Finland. Furthermore, it was noted especially that German exports to Finland had decreased by an amount corresponding exactly to the increase in British exports.<sup>90</sup> This importance accorded to Germany in 1924–1925 reflects the fact that at this time the British attitude to German success in Finland was different from what it had been earlier in 1922.<sup>91</sup>

As mentioned, in 1921–1923, for the state protagonists Finland existed as a promising country. There was a practice of British commercial attachés in various countries collecting material that was subsequently distributed by the Board of Trade and the Department of Overseas Trade (hereafter DOT) for the information of individual British traders and merchants. Finland was also included in this activity. In 1922 and 1923, many commercial periodicals published reports and news from Finland. All were based on material distributed by the DOT. Following the DOT's aim at marketing in Finland, reports and news transmitted the image of Finland as a country of economic stability and prosperous future, in contrast to many other new states in Eastern Europe.<sup>92</sup> This policy cannot be said to have been successful. From the mid-1920s to the end of the decade, the process of self-criticism characterized the FO's and the DOT's commercial thinking of Finland. The process was backed by the observation that the increase in British exports to Finland was lower in proportion to that of many other countries.<sup>93</sup> Why had the high expectations of Finland of the early years of the 1920s not been fulfilled in practice? The accusation that British traders and merchants had not done their best despite His Majesty's Government efforts to promote British trade with Finland was also expressed.<sup>94</sup> The accusation indicates that the way the bureaucrats considered Finland has to be separated from the way British traders actually thought and operated. This is the key to understanding why the programme of marketing Finland, that is, the policy the foreign trade officials conducted before the signing of the Trade Agreement, cannot be said to be successful. Just as government officials were inclined to see Finland from the viewpoint of a prosperous-looking nation

<sup>90</sup> DOT 24.3.1924 to the FO. FO 371/10422:74–76.

<sup>91</sup> See note 68. To compare, Mackie considered Germany as the most serious competitor in Finland in his commercial report in 1925. Mackie's "Report on the Commercial and Financial Condition in Finland for 1925". Mackie (Helsinki) 25.5.1926 to the DOT. FO 511/49.

<sup>92</sup> The Board of Trade Journal, September 1922, "Finland: Foreign Trade"; The Journal of the Bradford Chamber of Commerce, vol. 3, no. 55 (June 1923), "British Trade with Finland"; vol. 3, no. 36 (July 1923), "Report on the Economic, Financial and Industrial Conditions in Finland. Dated March 1923"; and vol. 4, no. 38 (September 1923), "The trade of Finland: An Oasis of Prosperity." In addition to these periodicals, the Economic Review published similar articles on Finland.

<sup>93</sup> Naturally, at the end of the 1920s, the process of self-criticism was stimulated by other contemporary factors. The coal strike in Britain of 1926 caused a downturn in British exports to Finland accompanied by an increase of German exports. Later, other contemporary factors occurred. Even in 1930, Rennie's interest in the unfulfilled opportunities that the British had lost in the trade agreement of 1923 has to be seen as stimulated by a new kind of British demand to overcome the depression.

<sup>94</sup> E.g., Rennie (Helsinki) 10.2.1926 to Chamberlain. FO 371/1172:124–128.

economy, more so than would an individual trader looking at Finland from the viewpoint of some particular trade article, and who, ultimately, considered the profits, credits and guarantees for each individual trade transaction. In this sense, British firms' experiences of Finland look different.

The British trader's view of Finland can be explained as the combined influence of two factors: first, the relative smallness of Finnish markets compared to the scale of the markets the big majority of British were used to acting in, and, second, the Finnish protectionist trade policy at the time. Like other economically weak states, Finland practised protectionism in her foreign trade policy.<sup>95</sup> As individual British traders experienced Finnish policy, the crucial point was the Finnish practice of setting high customs duties on precisely those items the British firms had traditionally exported.<sup>96</sup> This was the way British traders dealt with the matter although we cannot speak, to quote Lamberg's study, of Finland as a country conducting politics of high customs as far as concerns luxury goods in the early 1920s.<sup>97</sup> There is a clearly formulated notion amongst British traders that before the Anglo-Finnish treaty of 1923 British firms considered Finnish customs as a bigger burden than the advantage they would have received from an improved Finnish exchange rate.<sup>98</sup> This was the factor that ruined the efforts of government officials in marketing Finland. What is more important, for individual traders Finland seemed to offer only modest prospect of profits. As Bell assumed, the latter factor explained the fact that British firms did not generally use suitable and capable agents.<sup>99</sup> Bell's notion is noteworthy as a general explanation for the relatively low interest in Finland among British firms at that time. In simple terms, in the early years of the decade, exporters of British textile goods and manufactured products could have increased their profits by supplying to other countries than Finland, however promising her economy might have seemed. Moreover, it should not be forgotten that the mistrust of British traders and businessmen of government-instituted protectionist trade policy harmed the individual trader's view of Finland, reminding them of state intervention into business.<sup>100</sup> In other words, the notion of a country whose trade policy militated against the individual trader's business bulked larger in the individual trader's concept of Finland than a vision of a country of glittering prospects.

In addition to the way how British traders considered Finland, as seen from their own perspective, the latter's response to the DOT campaign of marketing Finland

<sup>95</sup> For this, see, e.g., Riitta Hjerppe, "Finland's Foreign Trade and Trade Policy in the 20th Century", *Scandinavian Journal of History*, vol. 18, no. 1 (1979).

<sup>96</sup> In 1930, Bell complained that "British exporters know only too well that duties are being consistently increased on just those goods [with] which they have hitherto been able to successfully compete with other European countries". The Anglo-Finnish Section of the London Chamber of Commerce (H. M. Bell), "Memorandum" (October–November 1930). FO 511/72.

<sup>97</sup> Lamberg, op. cit., pp. 37–41.

<sup>98</sup> E.g., Gourock Ropework Co Ltd. 14.6.1923 to the Board of Trade. BT 22.6.1923 to the FO. FO 511/32.

<sup>99</sup> The Anglo-Finnish Section of the London Chamber of Commerce (H. M. Bell), "Memorandum" (October–November 1930). FO 511/72.

<sup>100</sup> Merja-Liisa Hinkkanen-Lievonen, "Exploited by Britain? The Problems of the British Financial Presence in the Baltic States after the First World War." *Journal of Baltic Studies*, vol. 14, no. 4 (1983), pp. 331 and 334; Hinkkanen-Lievonen, op. cit. (1984), pp. 185–186 and 191–193.

has to be seen in the context of interaction between British business and state. As far as concerns the way government officials considered the opportunities of British trade in foreign countries, the reception of information was impeded by the officials being unable to transform it to the level of practice in which British traders worked daily. The wartime needs for a closer connection between state and commerce could not finally destroy the legacy of the old *laissez-faire* outlook. A deep-rooted separation between the two sides was thus present when officialdom tried to prod British business to take an interest in Finland.

The gulf in outlook between His Majesty's Government bureaucrats and British traders was caused by long-standing beliefs and values. Government officials did not necessarily undervalue the contribution of trade to the national welfare, but the view of their own function and role and that of individual British traders, as well as their opinions about the best means of promoting trade, were simply incompatible with the attitude of individual merchants. In its own fundamental thinking related to trade and business, the pre-war British diplomacy had ignored economics and commerce because of its own elitist beliefs and, of course, the traditional idea of *laissez-faire*. The assumption was that individual businessmen were profit-seekers driven by narrow self-interest, who must, therefore, be excluded from the disinterested and sophisticated task of diplomacy.<sup>101</sup> Despite the fact that World War I was a period when the state strengthened its hold over business and society as a whole, the new reforms could not overcome the traditional distance between traders and government officials. Although many British diplomatic service officials took trade promotion seriously, especially in the 1920s,<sup>102</sup> they cannot be said to have properly understood the world in which British businessmen and traders acted. For instance, the ingrained belief that the bureaucrats were a superior group with a broader perspective than the narrow and somewhat dubious attitudes of individual traders was still apparent in the 1920s.<sup>103</sup> This inability was fundamentally caused by the deep-rooted dislike of money-making inherited from the pre-war thinking. This prevented post-war British officials from putting themselves in the position of the individual enterprise whose ultimate action was always guided by the profit motive.

On the other hand, after the war the large majority of British traders who had adopted wartime governmental control for patriotic reasons wanted to return to the pre-war relationship between commerce and trade. Despite the fact that useful information on foreign countries was missed by British traders,<sup>104</sup> for the latter the practice of state officials supervising British traders represented something

<sup>101</sup> J. W. T. Gaston, "Trade and the Late Victorian Foreign Office", *International History Review*, vol. 4, no. 3 (1982), pp. 320–333 and D. C. M. Platt, *Finance, Trade and Politics in British Foreign Policy 1815–1914* (Oxford 1968), pp. xviii–xix.

<sup>102</sup> Ernest Rennie is a good example.

<sup>103</sup> In memoirs there are many references to the distaste for promoting business transactions among the older and higher officials who worked in British foreign administration after World War I. See, e.g., Francis Oppenheimer, *Strangers Within* (London 1960), p. 305. For the continuation of old *laissez-faire* thinking, see also A. C. Pigou, *Aspects of British Economic History 1918–1925* (London 1947), pp. 139–144 and Platt, *op. cit.*, pp. 104–108.

<sup>104</sup> For this, see the statement of Wigglesworth & Co. Ltd. in regard to the report of the BT. BT 196/27.

detrimental to *laissez-faire*. In the early 1920s, just as at the time of the Armistice, not only the contributors towards Britain's economic interests in Finland but also the dualism in the way British officialdom and individual traders considered Finland rested on Britain's own situation and background, a perspective which has been kept separate in research.

### **Conclusions**

This article has explored Britain's economic interests in Finland, with the aim of considering the particular contributors to the British view of Finland as an object of their own export. At the outset, the connection between two elementary things has to be mentioned: firstly, the fact that Britain was the major importer of the principal Finnish export article stimulated the British into increase their own exports to Finland and, secondly, for the reasons referred to previously, there seemed to be space for British exports to Finland at this time. However, some other contributors can be suggested.

At the time of the Armistice, as occurred throughout Scandinavia, the aim of safeguarding the British foothold from the supposed American competition gave extra impetus to the British drive into Finnish markets. However, in the early 1920s, new kinds of stimulators began to influence British consideration of Finnish markets. Three explanations can be suggested. Importantly, in British consideration, these factors were interlinked. Firstly, at this time the British regarded Finland as a country making an exceptional recovery, a vision based on the gradual improvement of the Finnish mark from 1921 to 1922 and the trade balance of 1922. The emphasis given to the Finnish recovery, the British took it optimistically, arose more from Britain's experience of its foreign trade problems at the time than from the real and existing recovery of the Finnish economy. With the deep slump in the British export trade, the idea of Finland in the above tension was a factor that attracted British attention. Secondly, regarding the above image of Finland, it is not surprising that the competition with the French stimulated British interest in Finland. How the British felt about the threat from France can be hinted at. For state officials, in general, the French economic position in Finland undoubtedly signified the danger of a strengthening of French political influence, a characteristic one can recognize in British Baltic policy at this time. In 1921–1923, for reasons of the Franco-Finnish agreement compared to the non-existence of the Anglo-Finnish one, Finland offered a better scenario for Anglo-French competition than for instance Estonia. The third factor that promoted British interests in Finland in particular was a presumption on the prospect of the British being able to compete successfully with the Germans. In Finland, after 1921, German superiority over Britain was least apparent compared to the other new states of the eastern Baltic. At a time when British interests in Eastern Europe in general were characterized by the severity of the growing Anglo-German rivalry, in the case of Finland the existence of such a presumption was an important explanation behind Britain's interest in this country.

In the search for British economic interests in Finland, one further point has also been noted, i.e. the difference in the way British officials and individual traders considered Finland. Whereas the bureaucrats were optimistically inclined to see

Finland as a prosperous-looking national economy making a remarkable recovery, individual traders tended to see her from the perspective of profit-making. The notion of a country whose protectionist trade policy militated against the individual trader's interests, and in which the prospect of profits was low due to the smallness of the markets, weighted more than the vision of a country of glittering prospects, the latter being the image that the state bureaucrats tried to intermediate to individual British traders. The failing in the state bureaucrats' programme of marketing Finland in the early 1920s has to be seen in the broader context in which British bureaucrats and individual traders acted after World War I. Fundamentally, it was a question of the inability of state officials to put themselves in the position of individual traders, a characteristic that emerged in the light of the interaction between British state and business that had existed long before World War I.