

Introduction

Small states and great powers in the international system

The period bounded by the lapse of Bismarck's reinsurance treaty in 1890 and the German invasion of Denmark and Norway in 1940 was one in which the Nordic countries became enmeshed in international conflict to a degree unprecedented since the early nineteenth century. The progressive erosion of Scandinavian isolation, culminating in the traumatic years of war and occupation between 1939 and 1945 (from which only Sweden was spared), forms one of the main themes of this book. Another is the inability of the Nordic states to fulfil – either individually (apart, again, from Sweden) or collectively – one of the basic functions of any state: the protection of their citizens from external attack. There is another side to the story. Of the minor states of Europe, the Nordic countries were – and remain – among the most fortunate. They have enjoyed a large measure of internal stability and have had few rivalries among themselves. Rapid industrialisation, beginning in the nineteenth century, combined with periods of social democratic rule which were longer and more continuous than anywhere else in Europe, enabled the Nordic countries to construct societies which were, by the late twentieth century, among the most egalitarian and most prosperous in the world. Yet their very success made the Nordic countries vulnerable to external pressures.

The first half of the twentieth century was a period dominated by war and the anticipation of war. It was also a period of unprecedented ideological confrontation and economic competition among the European great powers. With their increasing integration in the world economy, Nordic economies became more dependent on fluctuations in the business cycle and more exposed to changes in economic policy on the part of their chief trading partners. As warfare came to require the total mobilisation of societies and economies, so Nordic economic resources became increasingly important to belligerents. Changes in the nature of warfare, especially at sea and in the air, also made Scandinavia less peripheral in strategic terms. The ideological confrontations of the inter-war period challenged traditional Scandinavian values as well as the embryonic Scandinavian 'middle way'.¹ Although the

¹ The term was first used by Marquis Childs in his celebrated study of Swedish social

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Nordic experience proved less traumatic than that of other 'peripheral' regions of Europe such as the Balkan or Iberian peninsulas,² Scandinavia was unable to escape involvement in international conflict, and on the whole became less capable of doing so with the passage of time. Whilst Denmark, Norway and Sweden managed to remain neutral during the First World War, only Sweden managed to stay out of the Second World War. Or, to amplify the last point in a way that further accentuates the differing fortunes of the individual Nordic states, Norway and Denmark were occupied by Germany in 1940 and Sweden was not; Finland fought two wars against the Soviet Union between 1939 and 1944 and Sweden fought none at all. Yet the process was not wholly irreversible. In the Cold War era, despite the fact that all the Nordic states except Sweden had formal ties with one or other of the superpower blocs, the Nordic region again achieved a certain remoteness from international confrontation.

The subject matter of this book is wide ranging, and both the primary sources and secondary literature on the subject are now very extensive. Perhaps for this reason, and also perhaps because Nordic historians have been reluctant to generalise about the history of the Nordic countries as a whole,³ there have been few large-scale surveys of the kind that is attempted here, though there have been a number of shorter ones.⁴ For examples of books dealing primarily with the international position of all four Nordic states it was necessary until recently to go back to the period immediately following the Second World War. It was no coincidence that the first years of the Cold War should have seen the publication of such works as Rowland Kenney's *The Northern Tangle* (1946), *Scandinavia Between East and West*, edited by Henning Friis (1950), the survey of *The Scandinavian States and Finland* produced by the Royal Institute of International Affairs in 1951, or Nils Ørvik's *The Decline of Neutrality 1914–1941* (1953).⁵ As G. M. Gathorne-Hardy wrote in the preface to the RIIA volume, 'it is obvious that the Scandinavian peninsula no longer occupies a remote grand-stand in which its inhabitants can be passive and neutral spectators of any future conflict, but

democracy, *Sweden: The Middle Way* (New Haven, Conn., 1936; revised and enlarged edn, 1938).

² This comparison is developed in Krister Wahlbäck, 'The Nordic Region in Twentieth-Century European Politics', in Bengt Sundelius (ed.), *Foreign Policies of Northern Europe* (Boulder, Colo., 1982), pp. 9–32.

³ 'It is one of the mysteries of European historiography that serious comparative studies in Scandinavian history are so rare, at all events for epochs later than the Middle Ages': K.-G. Hildebrand, 'Economic Policy in Scandinavia During the Inter-War Period', *Scandinavian Economic History Review* 23 (1975), pp. 99–115 (p. 100).

⁴ E.g. Wahlbäck, 'Nordic Region'; Henrik S. Nissen, 'The Nordic Societies', in Nissen (ed.), *Scandinavia During the Second World War* (Minneapolis, 1983), pp. 3–52.

⁵ Even though it takes the form of a survey of Scandinavian institutions, the Friis volume is suffused with Cold War assumptions and fears. Ørvik's book has a wider geographical scope than the others, covering the United States as well as other non-Scandinavian neutrals, and is also less focused on Cold War concerns.

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constitutes more than 1,200 miles of the front line dividing the forces of East and West'.⁶

A similar revival of interest appears to have taken place in the 1990s. The present decade has seen the publication of David Kirby's two-volume history of the *Baltic World* between 1492 and 1993,⁷ as well as the two-volume collective work *In Quest of Trade and Security: The Baltic in Power Politics, 1500–1990*, edited by Göran Rystad, Klaus-Richard Böhme and Wilhelm Carlgren.⁸ Both of these studies, like my own, were conceived before the end of the Cold War. All, however, have been written in the knowledge of the radical transformation of Europe that has resulted from the destruction of Soviet power. In the Baltic region the changes have been momentous. They include the recovery of independence by the three Baltic states, Estonia, Latvia and Lithuania; the end of Finland's forty-year 'special relationship' with the Soviet Union; and, with the entry of both Finland and Sweden into the European Union, the end of a tradition of Swedish neutrality dating back to the Napoleonic era. As Scandinavia and the Baltic attract a degree of attention greater even than that of the early post-war period, historians are in a position to offer explanations for the changes that have occurred.

This book therefore asks a number of questions about the Nordic experience in the twentieth century. How did Scandinavia succeed in preserving a certain measure of detachment from international confrontation despite its increasing economic, political and strategic integration in the international system? How, in other words, did Nordic societies as a whole manage to survive, and even prosper, in a period which was dominated by great-power conflict? Why did it nevertheless become more difficult for them to do so? Why, in particular, did the experiences of the individual Nordic states differ so widely and indeed become more divergent over time?

The answers to these questions are in part external to Scandinavia. They have to do with changes in the nature of warfare and in the international economy, as well as with the rivalries of the European great powers before and during the two world wars. The book therefore examines the changing place of Scandinavia in the political, economic and strategic calculations of policy makers in Britain, Germany and Russia – the powers to which Scandinavia was of most direct concern. It also focuses, however, on the Nordic states themselves. Their differing capacities to resist external pressures were based in part on elementary facts of geography and resource endowment. But they also

⁶ RIIA, *The Scandinavian States and Finland: A Political and Economic Survey* (London, 1951), p. vii.

⁷ David Kirby, *Northern Europe in the Early Modern Period: The Baltic World 1492–1772* (London, 1990); Kirby, *The Baltic World 1772–1993: Europe's Northern Periphery in an Age of Change* (London, 1995).

⁸ Göran Rystad, Klaus-Richard Böhme and Wilhelm M. Carlgren (eds.), *In Quest of Trade and Security: The Baltic in Power Politics 1500–1990*, vol. I, *1500–1890* (Lund, 1994); vol. II, *1890–1990* (Lund, 1995).

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depended on the skill with which each Nordic state managed its own external affairs: the extent, in other words, to which the leaders of each state were able to formulate and conduct effective foreign and security policies.

The distinction between the two perspectives – great-power and small-power – is vital. Scandinavia was, for long periods, a region of only marginal interest to the great powers. From this perspective, the main task is to explain why the region moved closer to the forefront of attention at times of international crisis and war. From the Nordic perspective, however, relations with the great powers were a matter of paramount concern, often indeed of life and death. If neither world war could have been won in Scandinavia (notwithstanding the dreams of some strategists, both amateur and professional), war could have spelt the end of an independent existence for one or more of the Nordic states. The experiences of Norway, Denmark and Finland during the Second World War were traumatic enough; and the fate of Estonia, Latvia and Lithuania between 1940 and 1991 was a sombre reminder of what could happen to small states in northern Europe.

Constraints and opportunities in Nordic policy making

This approach assumes that the Nordic states were not merely passive elements in the international system. It shares the view expressed by Michael Handel in his study of *Weak States in the International System* that, ‘while the weak states are frequently more vulnerable than the great powers, they are not helpless’.⁹ Clearly geography and resources exerted a powerful influence over the kinds of policy they were able to pursue. Given the prevailing state of military technology in the first half of the twentieth century, key points in the strategic geography of northern Europe such as the Baltic Straits, the Åland Islands and the Gulf of Finland were likely to be of concern to one or more of the great powers. In a long war, the supply of agricultural produce from Denmark or iron ore from Sweden might be of vital importance to the economic survival of one or other of the belligerents. But the Nordic states concerned had some influence over whether these matters of great-power interest constituted assets or liabilities. That British and German anxiety about the position of Denmark at the entrance to the Baltic did not result in a violation of Danish neutrality by either power during the First World War may have been due in part to skilful Danish diplomacy. The refusal of Finnish diplomacy to acknowledge Soviet anxiety about the security of Leningrad helped to precipitate the Soviet invasion of Finland in November 1939. Denmark’s ability to keep both Britain and Germany supplied with agricultural produce helped to preserve Danish neutrality between 1914 and 1918, but carried much less weight with the belligerents at the beginning of the Second World War, and did nothing to deter Germany from invading the country in April 1940. Germany’s

⁹ Michael Handel, *Weak States in the International System* (London, 1981), p. 257.

Table 1 *Exports and imports as a percentage of the total output (GNP) of the Nordic countries*

	Denmark			Finland	
	Exports	Imports		Exports	Imports
1865	16	20.2	1865	11.7	18.6
1900	21.3	31.5	1900	20.1	27.8
1913	27.7	33.8	1913	25.1	30.9
1925	29.1	31.5	1925	25.7	25.4
1938	20.4	21.6	1938	21.8	22.0
1955	25.4	28.2	1955	16.2	16.2
1969	22.7	28.6	1969	20.2	20.7

	Norway			Sweden	
	Exports*	Imports		Exports	Imports
1865	25.5	27.1	1865	13.6	13.2
1900	29.6	34.9	1900	17.4	23.4
1914	35.2	36.2	1913	20.8	21.6
1925	30.1	30.4	1925	16.0	17.0
1939	28.2	27.8	1938	15.7	17.7
1955	38.4	41.2	1955	17.5	20.3
1969	37.9	35.8	1969	19.2	19.9

Sources and note: B. R. Mitchell, *International Historical Statistics: Europe 1750–1988* (New York, 1992), tables E1, J1; T. Bergh, T. J. Hanisch, E. Lange and H. Ø. Pharo, *Growth and Development: The Norwegian Experience 1830–1980* (Oslo, 1981), table 1, p. 162.

* Includes shipping services.

dependence on Swedish iron ore was a powerful bargaining counter for Sweden in its relations with the belligerents, but came close to being a liability when it tempted Britain and France into contemplating an invasion of Scandinavia early in 1940.

A further constraint was imposed by the openness of the Nordic economies. Klaus Knorr suggests that ‘the main bases of national economic power consist of the volume and structure of a state’s foreign economic transactions’.¹⁰ A country is susceptible to external economic pressure (a) if its foreign trade is large relative to its gross national product; (b) if it exports a relatively limited range of products of which it does not enjoy a monopoly control; and (c) if its foreign trade is conducted with only a small number of trading partners.¹¹ By these criteria the Nordic countries have always been vulnerable.

Table 1 shows that the Nordic countries have been heavily dependent on foreign trade throughout the modern period, with exports and imports regularly constituting between 20 and as much as 40 per cent of GNP.

¹⁰ Klaus Knorr, *The Power of Nations: The Political Economy of International Relations* (New York, 1975), p. 84.

¹¹ *Ibid.*, pp. 84–93.

Table 2 *Foreign trade of the Nordic countries by commodity groups (%)*

	1874	1880-4	1890-4	1900-4	1910-14	1921-5	1936-9	1946-9	1955-8	1967-70
Denmark										
Agricultural products	82.0	79.0	84.0	89.0	87.0	81.0	72.0	61.0	54.0	23.0
Industrial products	13.0	13.0	7.0	5.0	8.0	16.0	23.0	31.0	42.0	70.0
Other goods	5.0	8.0	9.0	6.0	5.0	3.0	5.0	8.0	4.0	7.0
Finland										
	1870-9	1880-9	1890-9	1900-9	1910-14	1923-5	1935-7		1951-5	1966-70
Timber products	43.8	44.7	46.1	55.0	51.7	58.0	44.0	Agriculture	2.7	4.8
Paper & pulp	3.3	8.0	9.3	13.7	19.2	28.0	40.0	Forestry	11.2	1.0
Agricultural products	22.9	23.1	24.3	17.6	17.0	9.0	7.0	Timber industry	30.0	16.8
Other goods	30.0	24.2	20.3	13.7	12.1	5.0	9.0	Paper industry	42.8	43.5
								Metals & engineering	10.4	22.2
								Other industry	2.9	11.7
								Total industry	86.1	94.2
Norway										
	1865	1875	1885	1895	1905	1925	1935	1946	1960	1970
Fishing & whaling products	21.8	20.1	16.4	17.4	15.6	13.8	9.9	11.2	6.7	7.0
Timber, pulp & paper products	23.6	19.0	19.7	20.4	21.9	23.6	13.8	13.2	9.8	7.7
Mining, metals & chemical products	2.9	3.3	3.2	2.4	3.4	12.8	17.2	10.5	17.5	16.5
Other industrial products	5.3	6.7	9.2	11.0	9.7	13.5	10.6	9.0	8.6	4.7
Shipping services	41.4	45.2	43.3	38.9	32.5	29.0	38.2	47.0	44.0	41.6
Other industrial products	5.0	5.7	8.2	9.9	16.9	7.3	10.3	9.1	13.4	22.5

Sweden	1881-5	1891-5	1901-5	1911-13	1924-5	1934-8	1947-50	1959-62	1967-70
Timber products	40.4	37.1	38.5	26.1	22.0	13.2	10.0	8.4	7.7
Iron & steel	16.2	9.5	10.2	9.3	5.3	7.2	5.4	7.8	8.9
Grain	11.7	4.7	0.4	0.3	—	—	—	—	—
Butter	6.3	12.0	8.9	6.0	—	—	—	—	—
Paper & pulp	4.6	8.3	12.9	17.6	27.2	28.3	33.3	23.0	15.8
Iron ore	—	0.4	5.0	8.0	7.9	9.5	7.0	7.6	4.0
Engineering products	2.6	3.1	6.7	10.5	14.3	21.3	27.0	37.5	42.7
Others	18.2	24.9	17.4	22.2	23.3	20.5	17.3	15.7	20.9

Sources: Based on Lennart Jörberg, 'The Nordic Countries 1850-1914', in Carlo M. Cipolla (ed.), *The Fontana Economic History of Europe*, vol. IV, part 2 (London, 1973), pp. 375-485, tables 13, 18, 22, 29; Lennart Jörberg and Olle Krantz, 'Scandinavia 1914-1970', in Cipolla (ed.), *The Fontana Economic History of Europe*, vol. VI, part 2 (London, 1976), pp. 377-459, table 12.

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Although all four achieved a significant increase in self-sufficiency during the 1930s, the Second World War was followed by their full re-integration into the world economy, demonstrated most strikingly in the case of Norway.

Table 2 shows that despite the success of Scandinavian industrialisation, the Nordic economies before the Second World War were still relatively undiversified. Denmark's dependence on the export of agricultural produce and Finland's upon the export of timber products, paper and pulp are particularly striking. Their rapid transformation into fully industrialised economies was a phenomenon of the post-war period. The Norwegian and Swedish economies were more diversified; but Norway remained heavily reliant on shipping, while Swedish exports of timber, paper and pulp still outweighed exports of engineering products by a considerable margin. The Nordic countries therefore remained dependent on the export of a narrow range of primary or semi-finished products for which there were often wide fluctuations of demand and price.

Table 3 shows that until the Second World War the foreign trade of the Nordic countries was dominated by a small number of major trading partners: above all, Great Britain and Germany, with Germany as the chief source of imports and Britain as the chief export market. It also shows that this commercial duopoly was noticeably strengthened in the inter-war period, with the virtual elimination of Russia as a trading partner, the relative decline of intra-Scandinavian trade and, especially in the 1930s, the marginalisation of the United States. The limited range of export markets, together with the fact that demand for many Scandinavian export products was relatively inelastic, greatly restricted the Nordic countries' freedom of manoeuvre. The growth of self-sufficiency indicated by table 1 did little, before the Second World War, to reduce their dependence on Great Britain and Germany.

Yet there is only a partial correlation between the indicators identified by Knorr and the actual degree of vulnerability experienced by the Nordic countries. As table 1 shows, their economies have on the whole become more open, and thus ostensibly more exposed to pressure, since the Second World War. The fact that this position has not been exploited by their trading partners clearly reflects the more settled international environment and liberal international trading regime which have prevailed throughout the post-war period, as well as the strength derived by the Nordic countries from the increased diversification of their economies. Conversely, they were much more vulnerable to exploitation between the wars, a period in which the 'hegemonic stability' of the pre-war period had broken down and in which economic crisis and depression were endemic, while at the same time the Nordic economies had not yet attained as large a measure of diversity.¹²

Was there any correlation between economic dependence and political

¹² For a discussion of the theory of hegemonic stability, see Arthur A. Stein, 'The Hegemon's Dilemma: Great Britain, the United States and the International Economic Order', *International Organization* 38 (1984), pp. 355–86.

Table 3 *Foreign trade of the Nordic countries with main trading partners (%)*

Denmark						
Exports						
	Germany	UK	Norway & Sweden	USA	Others	
1874	32.8	39.4	21.7	—	6.1	
1900	17.3	59.1	12.7	1.8	9.1	
1913	24.8	55.5	7.5	1.1	11.1	
1925	20.5	55.5	11.4	0.5	12.0	
1938	19.2	54.2	9.6	1.1	15.9	
1955	16.8*	33.0	12.2	7.3	30.7	
Imports						
	Germany	UK	Norway & Sweden	USA	Others	
1874	35.6	24.9	15.5	1.7	22.3	
1900	29.2	20.5	11.6	14.8	23.9	
1913	38.4	15.8	9.4	10.2	26.3	
1925	28.0	14.7	7.5	16.2	33.5	
1938	24.0	33.8	8.9	7.7	25.7	
1955	18.7*	25.6	12.1	7.9	35.7	
Finland						
Exports						
	Germany	Russia/Soviet Union	Sweden	UK	USA	Others
1874	6.4	39.4	8.5	25.5	—	20.2
1900	8.7	29.2	3.6	29.7	—	28.7
1913	12.9	28.1	4.2	27.1	—	27.6
1925	13.4	7.7	4.3	37.0	5.3	32.3
1938	14.8	0.3	5.8	33.3	11.7	34.1
1955	9.2*	17.6	1.9	24.2	5.8	41.4
Imports						
	Germany	Russia/Soviet Union	Sweden	UK	USA	Others
1874	26.1	44.4	9.2	14.8	5.6	—
1900	33.3	37.4	4.8	12.6	0.4	11.5
1913	41.0	28.3	5.7	12.3	—	12.7
1925	31.9	1.3	6.5	17.0	14.7	28.6
1938	20.3	0.8	14.2	17.1	9.0	38.7
1955	8.8*	14.4	4.8	19.9	5.2	46.8

(cont.)

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Table 3(cont.)

	Norway							
	Exports							
	Denmark	France	Germany	Netherlands	Sweden	UK	USA	Others
1874	6.4	8.8	15.7	6.0	12.4	31.4	—	19.2
1900	4.2	4.7	13.3	6.4	8.7	42.8	1.2	18.8
1913	2.3	3.6	17.0	4.6	6.6	24.9	7.6	33.3
1925	4.4	6.9	10.2	2.7	5.9	28.8	10.6	30.5
1938	4.3	6.6	15.5	2.7	8.8	24.7	7.8	29.7
1955	5.3	4.2	11.2*	3.5	9.1	21.8	9.2	35.7

	Imports							
	Denmark	France	Germany	Netherlands	Sweden	UK	USA	Others
	1874	10.8	4.8	26.3	3.7	7.0	29.6	1.1
1900	5.5	1.7	27.3	4.8	8.7	29.9	5.5	16.7
1913	5.1	2.2	31.9	3.8	8.3	26.4	7.1	15.2
1925	6.1	2.6	20.3	5.4	6.7	22.6	14.1	22.1
1938	3.5	3.0	18.4	3.3	11.5	16.2	10.0	34.1
1955	3.7	3.5	13.9*	5.3	16.2	20.2	8.6	28.6

	Sweden							
	Exports							
	Denmark	France	Germany	Netherlands	Norway	UK	USA	Others
1874	14.2	8.9	6.2	2.3	3.3	56.4	0.9	7.7
1900	12.3	7.7	16.6	7.7	1.8	43.2	—	10.7
1913	8.7	8.1	21.9	2.3	6.6	29.1	4.2	19.1
1925	6.2	6.2	15.1	4.1	4.8	27.0	10.5	26.1
1938	4.9	3.3	18.2	3.7	6.7	24.5	9.0	29.7
1955	5.8	5.2	13.3*	6.2	9.7	19.7	4.9	35.2

	Imports							
	Denmark	France	Germany	Netherlands	Norway	UK	USA	Others
	1874	18.2	3.6	21.2	3.8	5.1	30.6	2.8
1900	12.0	1.8	35.7	2.1	4.2	33.7	1.7	8.8
1913	6.4	4.1	34.2	2.5	3.1	24.4	9.1	16.2
1925	8.6	3.4	26.1	4.1	3.4	20.1	15.1	19.2
1938	6.0	3.0	24.0	5.5	3.1	18.3	16.3	23.9
1955	3.6	4.9	21.9*	7.1	3.2	13.7	9.8	35.8

Source and note: Based on B. R. Mitchell, *International Historical Statistics: Europe 1750-1988* (New York, 1992), table E2.

* Indicates trade with West Germany.