SWEDEN

PRELIMINARY DISCUSSIONS RESPECTING A TRADE AGREEMENT BETWEEN THE UNITED STATES AND SWEDEN

The Department of State to the Swedish Legation

MEMORANDUM

As a preliminary step in exploring the possibility of concluding a reciprocal trade agreement between the United States and Sweden the Minister of Sweden \(^2\) has raised the question as to the relation of the National Industrial Recovery Act \(^3\) to imports of wood pulp and news print from Sweden and has inquired regarding the nature of the assurances which the United States would be prepared to give on this subject.

The United States would be prepared, in return for acceptable provisions regarding the treatment of American commerce by Sweden, to give assurances that unbleached sulphite and sulphate wood pulp and standard news print paper would be exempt from import duties or restrictions, including charges or restrictions to which these products might otherwise be subject under the provisions of the National Industrial Recovery Act.

WASHINGTON, January 17, 1934.

The Department of State to the Swedish Legation

MEMORANDUM

In connection with the proposed reciprocal trade agreement between Sweden and the United States, the United States would request that there be included in any such agreement provision for reduction in duties by Sweden on certain products of the United States and assurance against increase in existing duties on certain other products, as indicated in the list attached hereto.\(^4\)

\(^1\) Continued from Foreign Relations, 1933, vol. II, pp. 719-723.
\(^2\) W. Boström.
\(^3\) 48 Stat. 195.
\(^4\) List not printed.
In addition to the concessions referred to above the Government of the United States would desire that the suggested agreement also include provisions designed to permit the restoration of imports of wheat and wheat flour from the United States to approximately the amounts imported annually in the period 1926–1930.

The United States, of course, reserves the liberty to make such changes in or additions to these proposals as may seem appropriate at any time during the discussions.

WASHINGTON, January 22, 1934.

Memorandum by the Secretary of State

[WASHINGTON,] February 8, 1934.

The Swedish Minister called and asked about possibilities of progress in the matter of a reciprocal commercial treaty between Sweden and the United States. I told him that many of us here were most anxious, if possible, to liberalize commercial policy and restore international trade and that I had used every opportunity which presented itself to advance such program. I said that the United States and other countries had been going through a period of extreme economic nationalism and isolation, and a vast amount of blind or selfish sentiment had been created in its support; that time and patience were necessary on the part of all interested governments, as progress might be slow, but that we should continue in every possible way to advance a liberalized commercial policy and program. I stated further that it was hoped the President would soon ask Congress for authority to negotiate and place in operation proposed reciprocal commercial treaties without ratification by the Senate.

C[ORDELL] H[ULL]

Memorandum by the Assistant Chief of the Division of Western European Affairs (Gulbertson)

[WASHINGTON,] March 13, 1934.

Mr. Wijkman⁶ came in yesterday afternoon and discussed in a rambling way several points with regard to the commercial treaty which seemed to be worrying his Government, or at least he made out that his Government was wondering about them.

(1) Mr. Wijkman inquired whether we would be prepared to go ahead with discussions or whether we wished to await the outcome of

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⁶Commercial Counselor of the Swedish Legation.
pending legislation in Congress. I told him that of course all those people in the Department who would be involved in the negotiations were actively engaged in matters pertaining to that legislation and I felt would not, for the time being at least, be prepared to undertake negotiations. I told him, however, that my own personal feeling was that the going forward of these negotiations would not necessarily depend upon the outcome of the legislation in Congress, since it would appear that the agreement in substance would be the same whether it was in the form of a treaty or of an executive agreement.

(2) Mr. Wijkman again raised a question which he had discussed on several occasions with Mr. Hawkins* and with me, namely, whether the treaty would be the general type of treaty, or whether it would be broken down into two categories, one being an agreement in respect of rates, and the other involving the undertakings usually found in all general commercial treaties. I told him that if the Swedish Government wanted to negotiate a general treaty, we would probably wish to have two documents since a general treaty might run for a number of years, and under any agreement with regard to rates we would necessarily wish to be in a position to regain our liberty of action within a fairly reasonable length of time.

(3) American anti-dumping legislation seems to be worrying the Swedes and after a long drawn out statement on Mr. Wijkman’s part I told him that I was, of course, not familiar with all the details of our anti-dumping legislation or the customs regulations drawn up with regard to it. I said that if he wanted he could submit to me in an entirely personal and informal way a memorandum outlining the points which were causing the Swedish Government concern. I told him that I would see whether it was possible to obtain information for him which would clarify the points which he had in mind. I indicated clearly that I would only undertake this on an informal personal basis and that no commitment of any sort would be involved.

(4) Mr. Wijkman raised the question of some Government regulation which provides that the Government agencies in buying supplies must buy American made goods and if possible goods made from American raw materials. He said that this requirement might also extend to purchases made by state Governments in those cases where the Federal Government had advanced a percentage of the funds used for such purchases. I told him that I did not know anything about that particular point, and that he might add it to his memorandum and I would see just what is involved in it.

(5) The Swedes are apparently worried about paragraph 3 (e) of the National Recovery Act and may seek some general commitment

* Harry C. Hawkins of the Treaty Division.
on our part with regard to the restrictions which are possible under that section.

(6) Mr. Wijkman suggested that the Swedish Government would probably wish to have some sort of a statement made at the time a treaty is signed to the effect that this Government in reaching an agreement with the Swedish Government has taken into consideration the liberal customs policy which is in force in Sweden. The idea seems to be one of assisting the Government in getting ratification of any agreement by the Swedish Parliament. I told Mr. Wijkman that that was of course a matter involving considerable policy and was, at any rate, one which would not come under consideration until we had reached an agreement or could clearly see that an agreement was possible.

P[AUL] T. C[ULBERTSON]

611.5331/107a : Telegram

The Secretary of State to the Minister in Sweden (Steinhardt)

WASHINGTON, July 16, 1934—7 p. m.

23. We have today informed the Swedish Legation at Washington that, if agreeable to the Swedish Government, we are prepared to enter upon reciprocal tariff negotiations with Sweden upon the return to Washington of Mr. Boström in September. Meanwhile, we requested that the Swedish Foreign Office complete the necessary studies (a) with relation to the aide-mémoire we handed them last winter, and (b) with relation to their own desiderata. As soon as we have been informed that this is agreeable, we shall set up a Special Committee to prepare for the Swedish negotiations.

We are anxious to keep this proposal confidential in order that if our points of view turn out to be too far apart to warrant the successful conclusion of an agreement, it may not appear that there has been an actual breakdown in negotiations.

You may discuss the foregoing confidentially with the Swedish Foreign Office.

In addition to your despatches to date, please report in detail, for the consideration of the Committee referred to in paragraph 1, (a) any recommendations you have concerning the conduct of negotiations, (b) the essential concessions or commitments for which you feel we should ask, (c) the concessions or commitments from us to which you feel Sweden is going to attach the greatest importance, and (d) any other pertinent information you may have regarding Swedish

* Presumably the memorandum of January 22, p. 709.
trade policy, commercial treaties either concluded or under negotia-
tion with other countries.

Hull.

611.5631/116

The Minister in Sweden (Steinhardt) to the Secretary of State

No. 216

Stockholm, August 9, 1934.

[Received August 23.]

SIR: I have the honor to refer to the Department's telegraphic in-
struction No. 23 of July 16, 7 p. m. and to my despatches No. 204
of July 18, 1934, and No. 215 of August 7, 1934, dealing with the
proposed negotiations looking to the drafting of a reciprocal com-
mercial treaty between the United States and Sweden.

I have discussed the substance of the Department's telegraphic in-
structions with the Foreign Office and have made the request that the
commencement of these negotiations be kept confidential. Mr. Sandler,
the Minister for Foreign Affairs, has assured me that he enters-
tains the same wish and will do everything within his power to
respect the Department's view. He has also assured me that the
Swedish Government will complete at the earliest possible moment
the necessary studies with relation to the aide-mémoire of the Amer-
ican Government and that in any event these studies will have been
concluded before Mr. Boström's return to Washington in September.

Mr. Sandler expressed himself as entirely agreeable to proceeding
along the lines outlined by the Department and as such expression
is stated by the Department to be a prerequisite to the setting up of a
special committee to prepare for the Swedish negotiations it would
now seem quite appropriate to pursue this intention.

In response to the Department's invitation to express my views con-
cerning the conduct of the negotiations I have the honor to invite
consideration of the following.

I have little doubt that one or more special representatives will be
designated by the Foreign Office to proceed to Washington to take
part in the negotiations. The appointment of special representatives
will not be a mere formality.

[Here follows comments concerning probable Swedish negotiators
and recommendations regarding concessions on a number of items
of American export to Sweden.]

I have every reason to believe that the concessions or commitments
by the United States to which the Swedish Foreign Office will attach
the greatest importance are as follows.

*Despatches not printed.
a) The retention by the United States of mechanical woodpulp and chemical woodpulp (specifically known as sulphite and sulphate woodpulp) on the free list.

In spite of the fact that the Senate amended the proposed reciprocal treaty bill so as to prevent the imposition of a tariff on items now on the free list the Foreign Office will undoubtedly insist that their principal export to the United States be bound on the free list. They have great respect for the President’s ability to obtain any reasonable action from the Congress and will not care to rely upon the provisions of a statute which they recognize is subject to change as early as next January.

b) The Swedish Government will most certainly ask for concessions or commitments in respect of what is known as brown paper and Kraft paper.

c) They will undoubtedly request a reduction in the rates on iron and steel in general, with particular reference to high grade steel (sometimes called charcoal steel used for razor blades and the like).

d) A request for concessions or commitments in respect of matches is to be anticipated.

e) I am reliably informed that the Swedish negotiators will be instructed to request rate reductions on paving blocks (used for paving streets) and on so-called hard bread. The latter item is really not bread but a hard brown cracker rarely seen in the United States which is a universal dietary item all over Sweden served at every meal.

f) It is also probable that concessions or commitments may be asked in respect of porcelain, china and art glass, ball bearings, calves’ skins, iron ore, concentrates and wire, but I have reason to believe that the Foreign Office does not regard the items enumerated in this paragraph as of primary importance.

g) I understand that the Swedish negotiators will bring up the question of increased costs in the United States that have or may result from the operation of the National Recovery Act. I am told that in raising this question they will recognize the difficulty of anticipating the ultimate effects of so fundamental and general an economic policy.

The following is a brief summarization of Sweden’s trade policies and commercial treaties, either concluded or under negotiation with countries other than the United States.

Before the comparatively recent industrialization of Sweden the country pursued a free trade policy similar to that of many European countries. A tariff for protection was first adopted in 1892.

The Swedish tariff policy has at all times been highly consistent,—favoring the lowest possible rates deemed necessary to protect essential industries and requisite for revenue. Sweden has invariably favored and practiced the most favored nation system. The relatively large and profitable export trade coupled with the country’s dependence upon the maintenance of its exports has resulted in a policy of moderate import duties and generous treatment of foreign merchandise. Sweden is today one of the few countries in the world where
there are no quotas, embargoes, licenses, or currency exchange restrictions in effect—with the exception of certain reasonable restrictions against grain importations.

In 1906 a treaty was negotiated with Germany under which the Swedish tariff was brought up to date, various rates being raised, partly to provide increased revenues and partly to protect growing domestic industries. The German treaty was amended and revised in 1911 but without substantial change.

As the result of disturbed trade and economic conditions during and after the World War and as increased revenues had become imperative the tariff was revised and many rates were raised.

The first important commercial treaty concluded by Sweden after the war was with Spain in 1925, under the terms of which Sweden reduced rates on a number of typical Spanish exports in return for reductions by Spain of duties on timber, iron and steel, machinery and other items of manufacture. This treaty was revised in 1926 after notice of termination was given by Spain.

As the result of Germany's desire to build up her exports to Sweden a new commercial treaty was concluded in 1926. Mutual tariff concessions were made, Sweden reducing rates on manufactured goods and Germany on agricultural products, timber and paper.

In 1926 Sweden also negotiated a commercial treaty with Greece involving lower duties on a few Greek export items and reductions by Greece on the principal Swedish exports.

Between 1926 and 1930 the only important change in the Swedish tariff policy was the adoption of the recommendations of the League of Nations whereby nomenclature changes reduced the number of items in the Swedish tariff schedules from 1387 to 1183.

Subsequent to 1930 political expediency has brought about a change in Sweden's tariff policies in the direction of greater protection for agricultural products. As a result the Swedish Government in order to protect Swedish agriculture adopted the export debenture plan for wheat and rye and subsequently a regulation requiring the mixing of a high percentage of domestic wheat and rye with imported grain in the production of flour.

An increasingly large import surplus in a world of fluctuating currencies brought about the necessity of reducing the unfavorable trade balance and caused Sweden on January 31, 1932, to adopt a number of supplementary import duties covering about seventy commodities. The Government has steadfastly refused to admit that these increases are permanent and continues to label them as "supplementary".

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11 Ibid., vol. lxiii, p. 87.
Effective as of February 15, 1933, Germany gave notice of the cancellation of the Swedish treaty. Efforts to negotiate a new treaty with Germany since that time have been unsuccessful. The relations between Sweden and Germany are at present so complicated and fraught with such tension as the result of financial disputes and political considerations that a new commercial treaty appears to be remote.

It has always been the policy of the Swedish Government to be prepared for any eventuality and to have placed in its hands by the Riksdag adequate authority to meet any sudden change in world conditions. Consistent with this policy the Government requested and received from the Riksdag in 1933 power to increase without notice all duties to three times those named in the existing tariff schedules and to place a maximum duty of 25 per cent ad valorem on imports now on the free list,—subject to confirmation by the succeeding Riksdag.

After the termination of the German treaty a number of tariff rate changes were effected restoring in part certain items to the levels existing before the treaty of 1926 was entered into, and to a lesser extent adding new supplementary rates. Although these increases were generally assumed to be reprisals against Germany many of them affected American exports. As American exports are competitive with German exports in many categories, the supplementary duties effective as of March 22, 1933, and which were again directed against Germany have adversely affected American exports.

One of the principal benefits to be gained by the negotiation of a commercial treaty with Sweden is the removal of the disadvantages under which American exports to Sweden are laboring as the result of the recognized desire of the present Swedish Government to strike at Germany whenever possible. For the past two years the German commercial policy towards Sweden has been inexplicably ruthless and inconsiderate, having regard to the fact that the balance of trade is highly favorable to Germany,—in the relation of three and a half to one. The very large immobilized Swedish capital investment in Germany coupled with the German commercial attitude has been the source of great irritation to all of the important Swedish financial interests and to the Swedish Government.

The most important recent development in Sweden’s trade relations was the negotiation of a reciprocal trade treaty with Great Britain which became effective on July 7, 1933. The outward appearance of this treaty adheres to the most-favored-nation principle. An exception was made, however, in the agreement by Sweden to purchase 47 per cent of all of her coal import requirements from Great Britain. The Swedish Government was able to give this assurance by reason of its ability to induce the Federation of Swedish Industries under a

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gentlemen's agreement to agree to the purchase of increased quantities of British coal. The large amounts of coal consumed by the Swedish State Railways and by other Government agencies fortified the Swedish Government's ability to give this assurance. Prior to the negotiation of this treaty a substantial part of Sweden's coal requirements was furnished by Poland. Since the British treaty has been in effect there has been quite some complaint by Swedish consumers of coal as Polish coal is now being offered in Sweden substantially below the British prices. In return for this very substantial concession Great Britain agreed to give Sweden equal treatment with all other countries excepting the British Dominions in respect of Swedish exports of agricultural products with particular reference to bacon, butter and eggs.

The British treaty also involved the reduction of certain import duties by both countries and the binding of other rates during the life of the treaty, the period of which is for three years subject to termination in the event of the failure of Sweden to purchase the requisite quantity of coal, or on six months' notice by either nation after the expiration of the three year period.

A provisional agreement was entered into between Sweden and Poland early this year, effective until May 1, 1934, and subject to one month's notice of cancellation. Under the terms of this agreement Sweden was granted the lowest rates on the Polish tariff schedules in respect of many industrial articles and Poland was assured the binding of certain existing Swedish rates.

In November 1933 Sweden and France exchanged notes under the terms of which Sweden reduced her rates on wines and a few other products in return for the withdrawal by France of the 15 per cent currency depreciation tax on Swedish exports, principally lumber and pulp. The Swedish Government also agreed to issue a decree to the effect that all beverages sold in Sweden under the designation of "wine" must be made of the juice of grapes.

Reference should also be made to the so-called Oslo Convention of 1930 between Sweden, Norway, Denmark, Holland, Belgium and Luxembourg under the terms of which the signatory nations agreed to notify one another before taking action to raise tariff rates. Thus far this convention has been of little practical value. It is a mere declaratory instrument in the nature of a preliminary notice of intention.

Exchange clearing agreements have been entered into with Turkey and Chile, the object of which has been primarily to settle balances with these countries arising out of their exchange restrictions.

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24 Ibid., vol. cl, p. 413.
25 Ibid., vol. cxlvii, p. 147.
Sweden has comparatively recently entered into so-called barter trade agreements with Persia and Greece.

In the case of Persia a group of Swedish manufacturers has arranged to accept Persian rugs, dried fruits, etc. in payment for Swedish industrial products. The sale of the Persian exports so received is not limited to Sweden but has in some instances been effected in the world market through the facilities of the Swedish Cooperative Union.

The arrangement with Greece is handled exclusively by the Swedish Tobacco Monopoly which is the Government controlled corporation having the sole right to manufacture tobacco products in Sweden. The agreement involves the barter of Greek tobacco for Swedish industrial products, in addition to which a part of the Greek tobacco deliveries is being applied to the gradual liquidation of outstanding Swedish claims in Greece.

In conclusion it may be said that of recent years Swedish commercial policy has endeavored to break away from the former alliance with the Central European tariff system and to create a closer cooperation with Great Britain and the British Dominions coupled with a desire to increase trade with the United States. This trend has received a sharp and favorable impetus since the treaty of 1933 with Great Britain.

The British have been astute in following up the advantages of their new treaty with Sweden and with the exception of the dissatisfaction over the price of British coal the treaty may be said to have operated thus far to the great advantage of Great Britain with some benefit to Sweden. During the past year the British have been engaged in active propaganda to increase their sales in Sweden. Their efforts thus far have been extraordinarily successful. American merchandise has suffered the most as the result of this campaign. The British propaganda in some respects has been subject to criticism as being at time unscrupulous. American manufacturers and exporters have had no means of defending themselves against the methods practiced by the British. The non existence of a treaty between the United States and Sweden giving our manufacturers the same treatment as is accorded the British has operated to our great disadvantage.

The hostility towards Germany as the result of ever increasing restrictions against Swedish agricultural exports; the German system of subsidizing exports to Sweden through the medium of blocked marks, the very large sequestered Swedish investment in Germany, antagonism towards and fear of the German political situation and the irritation at the high price of British coal make the present a most appropriate time for a reciprocal trade treaty between the United States and Sweden. The increased purchasing power of the Swedish crown in terms of the dollar, a high regard for the quality of American
merchandise, respect for American ingenuity, the generally friendly attitude towards all things American, disgust with the incessant turmoil in Europe and a strong desire in Sweden to reorient towards the West appears to constitute a most opportune foundation for a new treaty, particularly if American manufacturers and exporters will take advantage of the provisions thereof and enter the Swedish market with the same degree of vigor that the British have.

In closing I desire to emphasize an observation contained in one of my earlier despatches to the effect that whereas the population of Sweden is but 6,500,000 the potential market for typical American products is equivalent to an average population of 20,000,000 by reason of the extraordinarily high standard of living that prevails here. Many articles deemed luxuries throughout the world are regarded in Sweden by the masses as household necessities—exactly as they are looked upon by the American public.

Respectfully yours,

LAURENCE A. STEINHARDT

611.5831/119: Telegram

The Acting Secretary of State to the Minister in Sweden
(Steinhardt)

WASHINGTON, September 7, 1934—noon.

27. We are prepared to give public notice in the press appearing Monday evening September 10, of intention to negotiate a foreign trade agreement with the Government of Sweden. Announcement will be made at the same time, for the benefit of American interests concerned, that the Committee for Reciprocity Information has prescribed that all information and views in writing and all applications for supplemental oral presentation of views shall be submitted to the Chairman not later than October 29; oral presentation of views by persons whose applications therefor have been approved will be heard November 5.

Please inform Swedish Government in case it desires to make simultaneous announcement and report not later than Monday morning whether this course agreeable to Swedish Government.

MOORE

611.5831/130

Memorandum by the Assistant Secretary of State (Sayre)

[WASHINGTON,] October 4, 1934.

The Swedish Minister called to see me this morning in order to discuss the contemplated trade agreement between the United States

\^ Department of State, Press Releases, September 15, 1934, p. 191.
and Sweden. He said that he found, when he reached Sweden during the past summer, that almost nothing had been done about the matter and he spent much of his time while there at the Foreign Office working on the matter. He said that he had received a cable three days ago appointing him to act as the negotiator, and that he was expecting a despatch sometime next week giving his Government's reply to the memorandum which we submitted to Sweden last winter.

He went on to say that Sweden was at present such a low tariff country that he did not see how Sweden could offer much to the United States in the way of reductions in tariff. He said that Sweden was an ardent advocate for liberalized trade but is being so hard pressed now by countries like Germany and Great Britain that his Government is having a very difficult time to maintain its present low trade policies. For these reasons, he said that he feared it would not be possible for his Government to grant much in the way of tariff reductions but that, in view of the pressure to which his Government is subjected by existing economic conditions, he felt that it would be a large concession in itself if Sweden should guarantee to American trade the continuance of existing arrangements, including the existing free entry and low tariff rates charged against American goods.

I replied to the Minister that the United States was primarily interested not in petty bilateral bargaining in an effort to out-trade competitive rivals but rather in the general liberalization of world trade; and I felt sure that with two countries both anxious to reduce existing barriers we could find a way for bringing into force a mutually advantageous trade agreement. I suggested that only through increasing existing trade could relief be found for the pressing financial problems which at present exist.

The Minister welcomed this expression of views and promised to return, probably next week, with a communication from his Government in reply to our memorandum of last winter.

F[francis] B. S[ayre]

Memorandum by the Secretary of State

[WASHINGTON,] October 11, 1934.

The Swedish Minister called and delivered to me a memorandum, of which the attached is a copy, relating to proposed trade agreement negotiations between our two governments. I thanked him and re-

[^Infra.]:
plied that I and my associates would give the subject matter of his memorandum the fullest and most careful attention and consideration.

C[ordell] H[ull]

611.5831/132

The Swedish Legation to the Department of State

MEMORANDUM

In a memorandum, dated January 17, 1934, the State Department declared that the United States would be prepared, in return for acceptable provisions regarding the treatment of American commerce by Sweden, to give assurances that unbleached sulphite and sulphate wood pulp and standard news print paper would be exempt from import duties or restrictions, including charges or restrictions to which these products might otherwise be subject under the provisions of the National Industrial Recovery Act.

In another memorandum, dated January 22nd, the State Department declared that in connection with the proposed reciprocal trade agreement between Sweden and the United States, the United States would request that there be included in any such agreement provision for reduction in duties by Sweden on certain products of the United States and assurance against increase in existing duties on certain other products, as indicated in the list attached hereto.18

In addition to the concessions referred to above the Government of the United States would desire that the suggested agreement also include provisions designed to permit the restoration of imports of wheat and wheat flour from the United States to approximately the amounts imported annually in the period 1926–1930.

The Swedish Government highly appreciate the United States Government’s desire to enter upon discussions with a view of reaching an agreement for facilitating and developing the trade relations between the United States and Sweden, as well as the United States Government’s declaration about its preparedness, in connection therewith, to guarantee continued free importation of certain Swedish articles.

In view of the present difficulties for the international trade the Swedish Government find it highly desirable that agreements are made, whereby security is established for an even development of trade relations between countries which offer natural conditions for an increased exchange of commodities. For these reasons the Swedish Government greet with special satisfaction the United States Government’s initiative.

18 List not printed.

790532—51—52
With this view as a starting point the Swedish Government find it so much easier to agree to the general principles on which the two memoranda of the United States Government are based, as at present a considerable number of articles, of great importance for the United States, are on the Swedish free list and exempt from any kind of import restrictions.

The tariff rates which certain American articles at present have to pay for importation into Sweden are considerably lower than in most countries and cannot be said to constitute any difficulties or hindrance for the sale of these American goods in Sweden. In spite of the well-known situation with regard to the international trade and the commercial policy in the world, and in spite of the fact that strong pressure has been borne on the Swedish Government, especially during the last years, for the increase of the tariff rates, the Swedish Government have so far refrained from such increases.

The conditions in this respect which are at present prevailing in Sweden, must, in the Swedish Government’s opinion, constitute such a considerable advantage for the American export trade, that already a confirmation thereof on important points ought to be considered not only to fully correspond to the right to free importation into the United States of the Swedish articles now on the United States free list, but also to justify facilities concerning tariff rates and customs treatment in the United States for such Swedish articles, the sale of which in this country has been prevented or hampered by the tariff act now in force. Any such facilities would undoubtedly contribute to an increase in the trade exchange on a wider basis.

In view of what has been said above, the Swedish Government, generally speaking, cannot find that further reductions in the Swedish tariff rates are justified for the articles mentioned in the list attached to the memorandum of January 22, 1934, but the Swedish Government will be glad to explain this further during the coming discussion of the desiderata presented from both sides.

Concerning especially the United States Government’s desire about wheat and wheat flour the Swedish Government regret very much that, owing to the existing situation, which certainly is known to the United States Government, they do not see their way to meet the United States Government’s wishes on this point. As is generally known, Sweden has at present a considerable surplus of wheat above the domestic consumption, and this situation has created serious difficulties for the Swedish agriculture.

In accordance with the starting points mentioned above and in view of the mutual desire to strengthen and further develop the trade relations between the two countries, the Swedish Government find that the two American memoranda and this memorandum, in view of the
existing situation, constitute a suitable basis for negotiations for a commercial treaty, based on the most-favored-nation principle, and the Swedish Government are prepared to start such negotiations immediately.

WASHINGTON, October 11, 1934.

Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[WASHINGTON,] October 18, 1934.

The Swedish Minister called on Mr. Sayre this afternoon with reference to the note he recently left with the Secretary of State indicating that in any trade negotiations Sweden was prepared to bind certain items but not to agree to any further reductions of duties.

Mr. Sayre said that unfortunately he had been so busy that he had not had time to study the Swedish note. He would do so at the earliest occasion, and asked the Minister to return for a further talk next week.

Meanwhile, however, he felt it only fair to tell the Minister that he was keenly disappointed in the general tenor of the note. The purpose of the United States in having these negotiations was to increase trade on both sides and not merely to hold it stationary. He could not see in what way the Swedish conception would result in any increase of American exports. We had envisaged the possibility in return for adequate concessions to make commitments which would be likely to result in a positive increase of Swedish imports, but we could not very well reduce our tariffs and let in imports which would compete with our own manufacturers, unless we were able to compensate this by increasing advantages to our exporters.

The Minister replied that Sweden had the lowest tariff system in Europe and had resisted many temptations to increase its rates. In fact, he was not sure that there was a single item on the Swedish tariff list that could be called prohibitive. The Swedish Government felt that it would be a very real concession to undertake not to increase those rates for a period of some years. He could not admit the possibility that the United States and Sweden, which together had stood out against trade barriers, should be unable to agree amongst themselves. He felt that the mere conclusion of a trade agreement, even if it did not result in any reduction of Swedish duty, would stimulate Swedish purchases of American goods.

The Minister offered to bring in a draft treaty which he was prepared to submit, but Mr. Sayre felt that we must study the Swedish note
further before deciding whether or not it offered sufficient hopes for negotiations to be successful to justify their inception.

Pierrepont Moffat

611.5831/150

Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[Washington,] October 19, 1934.

Mr. Per Wijkman, Commercial Counselor of the Swedish Legation, came down to see me at the request of the Swedish Minister. He said that following the Minister’s talk with Mr. Sayre and me yesterday and his talk with Mr. Minter,19 the Minister felt it would be useful if he should again tell us in a little more detail exactly what transpired at the meetings in the Swedish Foreign Office this summer. At these both Government officials and large Swedish manufacturers were represented. The basic principle on which they worked was that there would soon be only three sane regions in the world where buying power would hold up or increase; these were the United States, Great Britain and Scandinavia. It was very much to the interest of all three so to make their commercial arrangements that a feeling of stability would be created on which the merchant could count for his future business.

Sweden, of course, had not greatly increased its tariffs in recent years and conversely was not in a position as a general rule to lower them. On the other hand, her willingness to bind certain important items would practically assure American exporters of a large field for potential expansion.

I again explained to Mr. Wijkman the purpose of our trade negotiations, pointing out that they were still experimental, that they must be justified to public opinion, and that to do so they must carry in their essence the germs of an immediate and substantial increase in trade. We are fearful as a result of reading the Swedish note that this purpose had not been fully comprehended in Sweden; we must accordingly give careful study as to whether we felt that it would fit into our general program to go forward with the Swedish conversations at the present time.

Mr. Wijkman said that they were prepared to present a draft treaty containing certain general articles and a Swedish list of desiderata. He hoped that we would make no decision of principle until we had had time at least to talk over this draft treaty and the Swedish list.

19 John R. Minter of the Division of Western European Affairs.
As to concluding a treaty containing the binding of certain articles and very few reductions in other articles, he thought that we could justify it easily to the public by a press statement pointing out that in negotiating with countries which had low tariffs, there were obviously not the same opportunities for mutual concessions as with other countries which had erected a network of trade barriers. The fact that the Swedish treaty was short and undramatic was in itself a recognition that Swedish economic policy was in accordance with the ideas we were hoping to induce the world to adopt. The items on which rates were being bound, however, were important items and the security given to traders in both countries by this binding would result in slow but steady increase of trade between Sweden and the United States.

Pierrepont Moffat

Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[WASHINGTON,] October 20, 1934.

The Swedish note of October 11, 1934, is exceedingly discouraging and, it appears to us, discloses a shortsighted inclination on the part of Sweden to attempt to take advantage of her present relatively satisfactory trade position with the United States. We do not have before us full figures showing the proportion of all Swedish imports which enter the United States free of duty but we do know that the three products covered by our note of last January, newsprint paper, sulphate and sulphite woodpulp, last year accounted for 83 percent of the total value of Swedish exports to the United States, against a Swedish free list for American imports of approximately 41 percent.

Sweden's trade has suffered less from the depression than has ours. Our exports to Sweden have declined from $42,000,000 in 1923 to $18,000,000 in 1933, a drop of roughly 59 percent; Sweden’s exports to the United States on the other hand have decreased from $36,000,000 in 1923 to $31,000,000 last year, a decrease of only 14 percent. It is, therefore, clear that it would be relatively much more to the advantage of Sweden than to the United States to discuss “stabilization” of trade at anything approximating the present level. We have been hounded by a large number of countries who resent their adverse trade balance with the United States. Sweden is one of the few countries which exports more to the United States than it buys from us and while we do not advocate using on Sweden the unsound arguments which have been advanced to us by certain other countries we do not be-
lieve that we should lose sight of our good bargaining position. To Sweden's argument that they are a relatively low tariff country (which is true) we can reply that their low tariffs have not prevented a decline in our exports of 59 percent in the last ten years and that our treatment of their commerce has held to a very low figure their own decline in this market in the same period.

It would be dangerous to assume that the position taken in the Swedish note represents anything like their final position. The fact that Sweden is a low tariff country did not prevent her negotiating a treaty last year with Great Britain involving a (long) list of tariff reductions on both sides. In the Swedish Committee we have been working for some time on possible concessions to Sweden and we have already agreed on recommendations for reductions in duty on a considerable number of products. It is true that these products do not represent a large amount of trade in comparison with their shipments of paper and pulp but it seems to me clear that the reductions if made would materially expand their exports. We did not ask for many tariff reductions of Sweden. To be exact we asked for fifteen. We believe that if Sweden enters the negotiations in the right spirit we can make it worth her while to grant these reductions. In certain cases, we might be willing to acquiesce in smaller reductions in duty than those which we requested in our note of last January.

To agree to meet the Swedish wishes as set forth in their note of October 11th in a trade agreement would, in our opinion, be a serious mistake. It would involve our sacrificing one of the few favorable bargaining positions which we occupy. It would be a grave disappointment to those people in the United States who expect our trade agreement program to be used as a means not of achieving a tariff truce but of making real inroads on trade barriers. We believe that we would subject ourselves to a considerable amount of adverse criticism, and perhaps ridicule, in this country if we negotiated a trade agreement with Sweden along these lines. We believe that it would be good policy for us to make further attempts to get the Swedes to enter the negotiations in the same spirit in which we are approaching them. If we are unable to do this and the Swedes still feel that it is important to give some reassurance to the trading public in both countries that the present position will not be disturbed then we suggest that we propose to the Swedes that we give such assurance not by a form of trade agreement but by an exchange of notes, these notes would be linked with an assertion that pending the conclusion of a comprehensive trade agreement involving real reduc-

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tions on both sides, we were giving one another reciprocal assurances respecting present rates. We believe that such an exchange has a very definite psychological advantage over any sort of limited trade agreement. It moreover leaves us in a position of greater freedom with regard to termination since Sweden if she obtains practically all she wants in a limited trade agreement covering a fixed period would not be particularly keen on further negotiations to improve our position.

The Swedes have never given us an answer to our statement of our desiderata which we submitted last January. If they have prepared a reply incorporating their desiderata as an annex to a draft treaty, and a statement of what they would do for us as another annex, it seems to us that we should in all fairness agree to receive these documents, making it clear to the Swedes that we by no means share their philosophy nor commit ourselves to go forward with the negotiations but that we merely suspend judgment of our final reply until we see what they actually have to offer.

In line with our efforts to get the Swedes to approach these negotiations in a different spirit we believe that it might be helpful for us after further exchanges of views with the Swedes to send a frank telegram to Mr. Steinhardt at Stockholm stating our problem and asking his assistance in finding out the precise position of Sweden and her real objectives.

Pierrepont Moffat

611.5831/187

Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[WASHINGTON,] October 23, 1934.

Mr. Per Wijkman, the Commercial Counselor of the Swedish Legation, returned again and reiterated at length the Swedish point of view. . . . he made certain definite statements to me which indicated a distinct modification of the position he had previously assumed.

In brief, Mr. Wijkman told me that there were two main issues to be covered in the treaty negotiations; the first was one of principle, the second was one of rates. The Swedish Government was particularly interested in the former and wished some sort of a clause written in the treaty which could be construed as a recognition by this Government that Sweden had pursued a low tariff and liberal trade policy and that for this reason there were not available the same possibilities for bargaining and reduction of rates as with other higher tariff countries. The Swedish Government was particularly anxious for such a clause, partly for domestic political effect and
partly because it felt that it would enable Sweden better to resist the pressure from other European countries.

If this were granted, Mr. Wijkman felt that we would not have undue difficulty in the list of articles for which reductions were being sought. Sweden might not be able to give us all we asked or in the items for which we asked, but he thought that we would none the less find Sweden's position not unreasonable and hinted though in such abstruse verbiage as pretty effectively to conceal what he had in mind, that we might find an opportunity to increase our exports for certain agricultural products other than wheat.

Mr. Wijkman again reiterated that the Swedish Government in negotiation was so averse to playing a game of bluff that it leaned to the other extreme and its statement of general principles contained in the note it had sent us was meant to convey their fundamental beliefs in a way which would not be misleading to us at a later date.

PIERREPONT MOFFAT

Memorandum by the Chief of the Division of Western European Affairs (Moffat)

[WASHINGTON,] October 25, 1934.

The Swedish Minister called on Mr. Sayre this morning to inquire whether he had reached any decision with regard to proceeding with the Swedish negotiations for reciprocal tariff treaty. Mr. Sayre said that he had gone over the Swedish note with some care and had also taken into account the conversations which had taken place between members of the Department and Mr. Wijkman. Of course we still attached the same importance as formerly to increasing trade on both sides and we did not see how this could be accomplished without mutual concession. On the other hand, we did understand better perhaps than previously the point of view of the Swedish Government in wishing emphasis given to its low tariff policy. We are accordingly quite ready to receive the draft treaty, with annexes, which the Minister told us ten days or so ago was available. We would then study the suggestions contained therein and mutually come to a decision with the Minister as to whether we felt that the points of view were near enough together to warrant a formal starting of negotiations.

Mr. Moffat suggested that we might see how the problem looked when judged from a practical basis rather than continue the discussion on a more theoretic basis.
The Minister agreed and said that he would ask Mr. Wijkman to call at the Department tomorrow or Saturday and leave with us the Swedish draft treaty of which he had spoken.  

PIERREPONT MOFFAT

611.5831/188

President Roosevelt to the Acting Secretary of State

WASHINGTON, November 8, 1934.

At the present time and subject to later events, I am inclined to approve the informal report of the Tariff Commission with respect to taking no further action on news-prints under provisions of Section 3 (e).

I think it is all right to proceed with negotiations with the Scandinavian countries, but I wish the Committee would let me have a report on the actual results of American paper pulp industry in case additional imports take place.

F[ranklin] D. R[oosevelt]

611.5831/209

Memorandum by the Assistant Chief of the Division of Western European Affairs (Hickerson)

[WASHINGTON,] December 4, 1934.

Mr. Wijkman telephoned me at 1:15 today to say that the Legation had just received an instruction from Stockholm transmitting an official list of the Swedish desiderata in the forthcoming trade agreement negotiations. Mr. Wijkman said that this official list was "practically identical" with the list which he had informally furnished us, adding that the only real points of divergence were in some of the descriptions of products. He said that they were writing up this official list for presentation to us and that Mr. Boström would bring it in to Mr. Sayre "in the next day or so".

Mr. Wijkman said that Mr. Boström had cabled the substance of his recent conversation with Mr. Sayre to Stockholm, stressing the fact that we feel that the general provisions of the agreement will cause no difficulty since the two countries hold similar views on them. He said that the Swedish Foreign Office had replied expressing its gratitude of our attitude in this matter and stating that in the cir-

21 Not printed.
22 List handed by Mr. Wijkman to the Chief of the Division of Western European Affairs, November 24, not printed.
cumstances they saw no reasons why the general provisions could not be completed within a few days. I replied that I had no doubt that agreement could be reached on the general provisions a very short time after we started intensive consideration of them, adding that as we had several times stated before, agreement on the lists of desiderata is, in our view, the nub of the problem.

J[ohn] D. H[icken]son

611.5831/207

Memorandum by the Chief of the Treaty Division (Barnes)

[WASHINGTON,] December 6, 1933 [1934].

The Minister of Sweden has called upon the Chief of the Treaty Division several times in regard to the negotiation of a reciprocity agreement between the United States and Sweden. At the present time there is not a commercial treaty of any kind in force between the two countries.

The Minister of Sweden states that he has been authorized by his Government to enter upon the negotiation of a reciprocity agreement if the outlook is good for the conclusion of a beneficial agreement. He states that an agreement would not be satisfactory if subsequent thereto action should be taken by the United States under the National Industrial Recovery Act restricting the importation of Swedish products embraced within the agreement. He therefore requests that the question be considered whether an informal assurance might be given to him that during the life of such a reciprocity agreement as might be entered into no action would be taken by the United States under the National Industrial Recovery Act inimical to the importation of Swedish products. Section 3(e) of the act authorizes the President under certain circumstances to limit the importation of articles, place conditions upon them or subject them to certain fees. The Minister of Sweden names particularly wood pulp and news print as the articles with reference to which he would desire to receive an informal assurance before beginning negotiations. At the present time wood pulp and news print are on the free list and about three times as much of each article is imported into the United States as is produced therein. This dependence of the United States upon the foreign production of these articles may furnish sufficient reason for making them an exception from action under Section 3(e) of the National Industrial Recovery Act. It may be that the same question will be raised with reference to other articles of Swedish production after negotiations have advanced.

The Minister of Sweden does not ask for a definite written assurance at this time that action will not be taken under the National Industrial
Recovery Act but for an oral statement as a condition precedent to beginning negotiations that this Government is favorably inclined toward giving the assurance. It may be that the formulation of a definite stipulation to be included in the signed reciprocity agreement will be undertaken if this Government finds the proposal to be acceptable.

It appears that the proper procedure with reference to the request made by the Minister of Sweden is that it be taken up by the Executive Commercial Policy Committee.

Charles M. Barnes

611.5831/193a: Telegram

The Secretary of State to the Minister in Sweden (Steinhardt)

Washington, December 6, 1934—7 p.m.

35. After interview with Mr. Sayre who expressed disappointment with Swedish dilatoriness and warned of possibility of our being forced to withdraw offer made in our note of January 17, Boström exchanged telegrams with Stockholm and is now about to present an official list of desiderata.

I suggest you see the Prime Minister or Minister of Foreign Affairs and have a frank talk with him based upon your conversations in the Department and the following additional: While Sweden values its low tariff policy, it should not overlook that its 1933 imports of American goods was 59 percent less than in 1928, while its exports to the United States declined only 14 percent. Our present policy tends toward lower tariffs, and we hope to be able to grant liberal concessions, but not without reciprocity, for it is only in this way that we can mutually increase trade. The point to stress is the necessity for real concessions from Sweden. In 1933, 87 percent of our imports from Sweden were duty free, and these have been protected during 1934 against new duties or restrictions, in return for which we have not only received no concessions but have been told that we are unlikely to obtain many of real value. The Swedish Government should not overlook that the guarantee was contingent upon more favorable treatment of American commerce and has only temporary effect in its present form.

Hull

611.5831/199

The Swedish Minister (Boström) to the Secretary of State

Memorandum

With further reference to the memoranda exchanged regarding the proposed trade agreement between the United States and Sweden, the
Swedish Minister has the honour to transmit a list containing the desiderata of the Swedish Government with regard to reductions and consolidations in the American tariff. The list is subject to such modifications as may be found appropriate during the coming discussions.

The Swedish Government, attaching the greatest importance to the initiative taken by the Government of the United States in order to bring about a general increase in the volume of trade, would welcome an exchange of views as soon as possible regarding the general stipulations in the proposed agreement, in order to establish a basis for the detailed discussion of the mutual concessions.

During the discussion of the different items in the list the Swedish Government will present the views of Swedish exporters as to difficulties for Swedish exports resulting from the application of present rules for valuation of imported goods and other administrative provisions in the Tariff Act.

WASHINGTON, December 6, 1934.

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611.5881/2091

Memorandum by the Assistant Chief of the Division of Western European Affairs (Hickerson)

[WASHINGTON,] December 12, 1934.

The Swedish Minister came in at 12:45 Saturday and handed Mr. Sayre two memoranda of that date incorporating the Swedish list of desiderata in the forthcoming trade agreement negotiations. Mr. Boström stated that he had dealt with newsprint paper and wood pulp separately because of our note of January 17, 1934, giving a commitment in regard to these products. It was, however, pointed out to him that he of course realized that this was not a commitment but an offer to make a commitment in return for "acceptable treatment of American commerce"; Mr. Boström said that he understood this.

Mr. Boström then inquired whether we could not undertake at an early date an exchange of views regarding the general provisions of the proposed trade agreement. Mr. Sayre commented that as he had remarked several times before, these general provisions will present no difficulties, since it is obvious from the examination of the informal draft which they have already handed us that the two countries are thinking along the same lines and seeking the same objective. Mr. Boström replied that, at the same time, it would improve materially Sweden's chances of making concessions to American trade if we could

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23 Not printed.
24 For one of the memoranda of December 6, see supra; the other memorandum and list of desiderata not printed.
obtain agreements at an early date on the general provisions. Mr. Sayre then replied that in the circumstances we would give them our views on the general clauses of the agreement as soon as we were in a position to do so, even though this might be prior to agreement on the two lists of concessions; Mr. Sayre went on to say that it would, of course, have to be distinctly understood that everything depended on the lists of concessions and satisfactory agreement in respect thereto. The Minister said that he of course understood this.

Mr. Sayre then stated that by the end of next week we hope to be in a position to begin an intensive discussion with them of the two schedules of concessions. He inquired whether the Swedish Government planned to send any additional experts over from Stockholm to take part in the discussions. The Minister said that he did not know but that he supposed that they would be guided by his recommendations and that he did not as yet know whether anyone would be needed; he continued that he had hoped that he and Mr. Wijkman would be able to handle the discussions but that if he required additional help he would cable for it.

J[ohn] D. H[ickerson]