

# Swedish Enterprises in Latin America 1900—1940

By Harald Runblom

Sweden has consistently had a negative balance in its trade with Latin America. From the period of the Latin American countries' liberation to the end of the 19th century, Swedish trade with this part of the world comprised mainly the importation of colonial products. The traditional Swedish export products—wood and iron in a relatively crude form—had negligible sales in these remote regions. However, the situation changed during the decades around the turn of the century. Previously factors connected with the economics of transport had placed obstacles in the way of the export to Latin America of the most important commodities that Sweden had to offer in commercial exchanges. There was a different state of affairs as regarded the new products which were now gradually coming into the picture, including beacons, milk separators, telephones and ball bearings, which were all highly finished products. These products were not subject to the same difficulties in connection with transport economics as iron and wood. On the contrary, it seemed both advisable and attractive to seek large world-wide markets for such products and it is significant that the firms which manufactured them built up foreign sales organizations at a very rapid rate.

This article is a survey of the results from my doctoral dissertation, which concerns the activities of Swedish firms which established subsidiaries in that part of the world.<sup>1</sup> The terminal date is 1939. The lack of usable statistics concerning the export and import of foreign exchange for Sweden during the period discussed

<sup>1</sup> Runblom, H., *Svenska företag i Latinamerika. Etableringsmonster och förhandlingstalctik 1900—1940*. Uppsala 1971.

makes it impossible to give a statistical analysis of the total scale on which the Swedish foreign subsidiaries were established. On account of the small size of these establishments in the Latin American regions, a study of their development in the countries in which they were established would seem to be either impossible or at any rate not of any great interest. Instead my purpose has been to elucidate the actual process of establishment, to determine the nature of the companies established and to ascertain in what stages these establishments took place in relation to the total foreign activities of the parent companies and in relation to the particular company's situation on the respective markets. The assessments which the companies made of the economic and political situations in the different countries have been a matter of essential concern. Furthermore the relations of the companies with the authorities have been a main theme. The main basis of the investigation is material from the archives of the companies studied. The investigation was rendered difficult partly because several of the available archives proved to have been very severely pruned and/or to bear the marks of neglect in earlier periods.

The establishment of Swedish subsidiaries before the Second World War is found to be heavily concentrated in Europe. Gradually, and particularly after the Second World War, other continents became increasingly important, a development in which the role of Latin America is particularly noticeable. Before the Second World War three Swedish companies had several subsidiaries in Latin America, namely, AGA, STAB and AB Svenska Kullagerfabriken (SKF) (the last-mentioned is not included in the investigation).

## Patterns of establishment

The AGA company (its earlier name was Svenska AB Gasaccumulator) was founded in 1904. The basis of the company's expansion was the inventions produced by Gustaf Dalén, one of the founders of the company, in the period 1905—1907. These inventions were the occulting apparatus for beacons, »Aga compound» and the solar valve. Within a few years AGA was selling its products all over the world.

The establishment of AGA subsidiaries in Latin America may

be divided into three stages. *The first stage* (1906—1910) involved the establishment of contacts in Argentina, Chile and Uruguay, where the contact men were intended to arrange sales of AGA products, chiefly to the Government services. The terms of sale meant that the contact men purchased equipment from AGA and had themselves to take the risk involved in the sales. During this period appreciable results were achieved only in Chile. *The second stage* (1910—1915) was inaugurated when A. R. Nordvall, the sales manager, went on a tour of South America in 1910. His principal task was to regularize the contacts and give them a more permanent character and to initiate business deals with Governments in the Latin American countries in which AGA had not had any contacts. Nordvall made agreements with the AGA representatives and general agencies were established. During the period 1910—1915 extensive sales of beacons were made, principally to Argentina, Chile, Brazil and Uruguay, and these successes may be described as a result of Nordvall's energetic and skilful negotiations. During the First World War the Latin American contacts were largely suspended. *The third stage* may be said to have begun after the end of the war. This stage was characterized by the formation of subsidiary companies in several Latin American countries, and in this way the AGA company acquired a well-established position in these countries.

The AGA company did not endeavour to find any uniform solution to the problem of representation in the various countries but sought contacts with persons and firms which had established positions. A natural and clearly expressed requirement in its choice of agents was that they should have established contacts with the public administration and preferably directly with the Government. Central America and Mexico and a couple of countries in the northern part of South America were served from the AGA subsidiary in Philadelphia. When the North American company came into being in 1907, it was decided that its sphere of activity was to cover both North and Central America, a decision which was justified by the geographical proximity of Central America and the economic and political influence of the United States in this region.

The characteristic feature of the formation of AGA subsidiary companies in this part of the world is that it took place after the

AGA company had gained a footing on the market. The explanation lies in the make-up of the AGA range of products.

The formation of subsidiary companies at the beginning of the 1920s was characterized by the attempts made by AGA to restrict its share of the financing to the minimum and yet to retain the formal and actual management of the new units. Native interests were invited to subscribe for shares in the companies, partly in order to form influential contacts and partly to acquire risk-bearing capital in the country in which the subsidiary was being established. The risk to AGA capital in the formation of the subsidiary companies was also reduced by the parent company in several cases contributing its proportion of the share capital by granting the right to use AGA patents and by providing the subsidiary company with AGA products and materials for its equipment.

If all the AGA foreign ventures are taken into account, a clear connection may be discerned between the profitability of the company and its formations of foreign subsidiaries at different times. During the 1920s the parent company made large profits and ten foreign subsidiaries were set up. About 1920 there was a halt in this development. Further foreign ventures at the end of the 1920s coincided with a period in which the parent company made increased profits. During the depression years the company's profitability decreased, no subsidiaries were established abroad and the company's efforts had to be concentrated on the economic re-organization of the subsidiaries which made losses during these years.

Unlike its European activities, the Latin American activities of the AGA company display a striking continuity. In all the Latin American countries in which the company established subsidiaries, it has continued to be represented. The growth in profitability of the Latin American companies during the inter-war years can only be indicated on account of the paucity of the available data. However, during the 1920s and 1930s these companies seem to have been the ones which caused the greatest financial worries within the group. For example, it may be mentioned that the Mexican subsidiary, which could be described as having been over-dimensioned during the 1930s, accumulated debts to the parent company during the first few years of the decade amounting to 0.7 million Swedish kronor. This sum was written off in 1935.

In 1907 a telephone company managed by a Swedish financial syndicate commenced operations in Mexico. From 1909 onwards, its operations were maintained by *Mexikanska Telefonaktiebolaget Ericsson* (MTE), a subsidiary of the Swedish telephone company AB L. M. Ericsson. In 1904 it had been proposed that the Swedish company should take over a telephone concession for Mexico City. However, the concession did not involve any right to hold a monopoly and the Swedes started operations in Mexico City in competition with a much older, American-owned company, Cia Telegráfica y Telefónica Mexicana, usually called Mexicana. Up to the beginning of the 1920s, the MTE operations were largely restricted to the Mexico City area, but afterwards the company acquired concessions for other areas in the republic and for interurban lines.

The Swedish company scored some rapid successes. When the Mexican civil war broke out, the MTE already had as many subscribers as its previously established rival. During the 1910s the company suffered from the pressure of political and economic instability, which was manifested in anxiety amongst the staff, apprehensions lest the authorities should take action against the company, and foreign-exchange difficulties. In spite of the number of subscribers, remaining static, the MTE succeeded in making profits during this period and escaped Government (interference, unlike the American-owned company, against which the Government \*intervened>>Under the political regimes of the 1920s, which were in general favourably disposed towards foreign businesses in the country, there was no anxiety in the MTE about nationalization or compulsory measures being taken by the Government, as there had been under the radical and reformist Cárdenas regime.

During the period under study, i.e. up to the middle of the 1930s, the company was financed predominantly with Swedish capital, but during Cárdenas's period as President (1934—1940) there was a tendency to choose to replace the Swedish capital by Mexican, since the company's investments were regarded as being at risk under the disturbed political conditions.

The situation as regarded competition with the American-owned Mexicana company was considered to be favourable during the first two decades. A proposal from Mexicana for a merger in 1923 was regarded as a sign of weakness in the rival company. After

1925 the position of the American company improved, owing to the facts that it was transferred to the International Telephone and Telegraphic Corporation (ITT) group and received an advantageous concession. Discussions about a merger took place during the 1930s, partly in a situation in which competition was suspended. In the period 1931—1943 no dividends were paid on the Swedish company's shares. This reflected, on the one hand, the very large investments which the company made in extending the telephone system from about 1930 and, on the other, the fact that during the 1930s it was not allowed to raise the tariffs concurrently with the increases in costs and foreign-exchange rates. When in the middle of the 1930s the Mexican Government made far-reaching demands for joint traffic operations and the companies wished to discuss this matter in connection with the tariff and profitability questions, the negotiations between the Government, the MTE and the Mexicana company reached a deadlock.

Up to 1932 *Svenska Tändsticksaktiebolaget* (STAB) (the Swedish Match Company) was an essential part of Ivar Kreuger's great international combine. The STAB would seem to have had more extensive international commitments than any other Swedish manufacturing company about 1930. In this thesis I have investigated its activities in Latin America, chiefly its four match monopolies in this part of the world.

The STAB was founded in 1917 by the merger of a couple of match companies. This merger may be described as the terminal point in the structural transformation of the Swedish match industry which had been going on since the turn of the century. Ivar Kreuger was the driving force in the final stage of this transformation. Under his direction the STAB was developed into a world-wide enterprise. A considerable number of foreign operating units were formed, particularly during the period 1925—1930.

The Kreuger group's position in the world match industry was achieved by different methods. One of these methods was to buy up manufacturing companies and thereby gain control over a market. In this way the group became the *de facto* holder of a monopoly in certain countries. Another method was to make agreements with governments about the establishment of match monopolies or to take over already existing match monopolies administered by the gov-

ernment concerned. These I have described as *de jure* monopolies. The STAB obtained concessions for match monopolies from 15 states.

Latin America was not a new market for exports of Swedish matches when the STAB began to consolidate its position in country after country during the 1920s. Swedish matches had been exported in small quantities to Latin America as early as the 1870s.

In some countries, the STAB, together with the English company Bryant and May, which was associated with the STAB, acquired interests in native manufacturing companies (in Argentina, Colombia and Uruguay). In Chile the STAB gained control of the market through a subsidiary, which gradually bought up the competing firms. Shares in Mexican industrial firms were acquired via the subsidiary company in the USA, the International Match Corporation.

Of particular interest are the STAB's Latin American monopolies, which were established in Peru (1925), Ecuador (1927), Bolivia (1930) and Guatemala (1930). The concessions granted the STAB the sole rights, as regarded the manufacture, importation and sale of matches. The duration of the contracts for the Latin American monopolies varied between 20 and 30 years. The contracts with Ecuador, Bolivia and Guatemala were combined with loans from the Kreuger group to the governments of these countries. The durations of these loans were the same as the durations of the concessions and the contracts were drawn up in such a way that the annual concession fees paid by the company were equivalent to the interest and amortization payments on the loans, which meant that in its capacity as lender the company had a security for the loan in the annual fees paid to the government.

These four monopolies involved disappointments for the STAB in different ways. Two of the concessions were cancelled by the governments concerned by unilateral action—in Ecuador in 1931 and in Guatemala in 1939—and therefore the STAB ceased to occupy a legally protected monopoly position. In Guatemala the Swedish company succeeded in retaining a position on the market after diplomatic intervention by the Swedish Government and after Swedish importers had threatened to cease purchasing Guatemala coffee. It is true that the Guatemala Government did not give any

real guarantees. In the case of Ecuador the STAB was excluded from the market because its agreement with the Ayora government was declared unconstitutional. Diplomatic intervention by the Swedish Government had no effect in this case. As regarded Peru and Ecuador, the company's calculations were too optimistic. In Peru this led to a financial setback, if account is taken of the company's expenditure in acquiring the monopoly. The income which the company derived from its management of the monopoly was too small in relation to the fees for the concession, and the agreement was cancelled in 1932 by agreement between the Government and the company. In Bolivia smuggling and other difficulties helped to keep the company's sales figures low.

The death of Ivar Kreuger and the collapse of the Kreuger group in 1932 meant that the STAB's world-wide enterprise underwent a partial change. In Latin America the ties with the Mexican match companies were broken, since these companies were under the control of the STAB offshoot in the USA, the International Match Co., which was declared bankrupt. Furthermore the company's goodwill would seem to have suffered from Kreuger's suicide and the serious charges that were levelled after his death against his financial activities.

Kreuger's monopoly agreements were perhaps not so original as is commonly asserted. Certain circumstances indicate that Kreuger got the idea of these monopoly agreements, which were later signed with 15 states, from an agreement made between the Argentine business man Bovet and the Bolivian Government. The combination of a loan to a government and a concession which involved a match monopoly was then developed step by step.

From the AB *Bofors* archives, which are very defective for the interwar years, I have only been able to procure some views on the company's arms sales in Latin America during this period. Statistical data on the Latin American transactions are almost completely lacking. This company differs from the other companies studied in that it has never established any Latin American subsidiaries.

The modern history of the company begins with a couple of factory mergers during the first half of the 1870s. Gradually, and particularly under the direction of Alfred Nobel, the manufacture of arms, especially cannon, became an important branch of the



company's activities. Up to the First World War, the market for Bofors products remained largely restricted to the Scandinavian countries.

Bofors did not make its real entry into the Latin American market until the beginning of the 1920s. It had made its way there for several reasons. The First World War was followed by a recession for the armaments industries, a recession which was partly explained by the fact that several states, including Germany, were prevented from re-arming by the stipulations of the Treaty of Versailles. The general endeavours for disarmament also helped to reduce the demand for arms. Bofors, whose sales decreased heavily after the war, was able to take over from the German firm of Krupp a number of Latin American commitments which Krupp could not meet. During 1922 and 1923 Bofors built up a network of agencies in Latin America. The firms and business houses which were linked with Bofors agents during these two years worked for Bofors during the 1920s and 1930s. On the outbreak of the Second World War, collaboration with the German firms which had Bofors agencies in Rio de Janeiro and Buenos Aires became impossible. Moreover it was considered that Bofors had become such a well-known name that it was no longer necessary to be represented by big international business houses. Accordingly in 1912 it was decided to build up in Latin America a network of agents consisting of Swedish and native firms.

In its Latin American transactions, Bofors worked partly through the agencies just mentioned and partly through travelling representatives sent from the Swedish headquarters. In addition, it tried to influence the purchasing commissions of the Latin American countries in Europe.

The arms sales to Latin America seem to have been marked more than other Swedish »Governmentdeals» in this part of the world by the political sympathies and antipathies of the purchasing authorities towards the nationality of the salesmen.

The patterns on which the AGA and the SKF foreign subsidiaries were established show great similarities. The parent companies were started at approximately the same time (1904 and 1907). Both companies offered for sale on their foreign markets highly finished engineering products. The salesmen's technical skill was important

in the marketing of these products. The SKF company endeavoured to fill the agents' appointments, posts at branches and important positions in the subsidiary companies with its own people, trained within the company. Similar conditions applied as regarded the AGA products and their marketing.

For both AGA and SKF, the 1920s were a period of expansion on the foreign market, which was manifested, *inter alia*, in the founding of subsidiary companies. The primary aim was to get a foothold in the most industrialized countries—the USA, Germany, France and England. Subsidiaries were also established in the Scandinavian countries at an early date. The growth of the SKF company on the Latin American market was very similar to that of the AGA company, at least in external respects: a number of subsidiaries of both were founded there about 1920. The SKF subsidiaries in Latin America were sales companies, while the AGA subsidiaries were also manufacturing companies. For AGA, the manufacture of gas was an important part of the activities of the subsidiary companies; this was evidently one of the reasons for the change-over from agencies to subsidiaries. In the South American companies which were investigated as regarded AGA's activities, the company concentrated chiefly on selling beacons and buoys. The purchasers secured in this way were dependent on supplies of gas from the company. Thus, another stage in the development began with the supply to the customers of locally produced gas. This gas had to be produced locally for reasons connected with transport economics and thus the AGA company was induced to form a subsidiary.

The *Swedish* Sepal-ntor *company* came to Latin America earlier than either AGA or SKF. Its main product was milk separators. It had at a very early stage a well-developed network of agencies over practically the whole world. Around the turn of the century Separator had four agents in Latin America. Before the Second World War it had only one subsidiary in this part of the world, viz. in Argentina.

A comparison between the above-mentioned companies and the STAB shows that the STAB's Latin American ventures were differently structured on several points. Like the other companies, it supplied a product whose manufacture was the result of advanced technical development and rationalization. However, the STAB

achieved a quite different position on the world market. It has been stated that, when the Swedish match group was at its most expansive stage, it was responsible for two-thirds of the world supply of matches. The STAB had exceptionally good financial resources through its connection with Kreuger & Toll. I have strongly emphasized in the thesis that the STAB's activity must be considered in connection with Ivar Kreuger's overall financial activities. The STAB's Latin American ventures were administratively less uniform than those of the other companies discussed and it conquered new markets in ways which might vary considerably from country to country.

## Relations between companies and authorities

The discussion of the companies' relations to the authorities will here be widened into a discussion of the problem of corruption in Latin America and of the possibilities of making empirical investigations of this problem.

In modern sociological literature the discussion of the problem of corruption in developing countries is markedly theoretical. There are few empirical investigations of corruption, but it is often declared that knowledge of the causes and effects of corruption cannot be appreciably increased unless the factual basis is widened. The absence of empirical investigations may be explained by the difficulty of collecting material: whoever wishes to make studies of corruption must assuredly be content with a comparatively small number of facts.

It would seem to be convenient to distinguish between corruption on three different levels: (a) political corruption, (b) corruption in law courts and the public administration, and (c) corruption in a private administration. »Political corruption, means chiefly bargaining for votes in general elections. Corruption in the public administration means that salaried employees of the government and the municipality and elected political representatives allow themselves, in dealing with administrative matters, to be influenced by personal gifts or promises from those affected by the decisions.

In the following pages the discussion is limited to corruption in the public administration, particularly bribery. The following groups

of source material can be used for empirical investigations of administrative corruption:

- (a) Material supplied by individual persons and companies (information given by the bribers).
- (b) The administrative material.
- (c) The private material supplied by the officials in the public service (information given by the receivers of bribes).
- (d) Reports of investigations, mainly the results of investigations arranged by a government or legislature.
- (e) Newspapers.
- (f) Interviews.

I have enumerated above the material which is primarily of interest as regards the actual relation between the giver of bribes and the receiver. In addition, there are, inter alia, the laws and ordinances designed to suppress or to »regulate« corruption.

The study of corruption will only be completely meaningful when it can be illustrated in its political, economic and social contexts. It is particularly important that it should be possible to apply the results to knowledge of the functioning of the administration in the actual country, the conditions of recruitment and employment, the spoils system, the salary conditions, etc.

The relationship between the giver and receiver of bribes is characterized by a confidentiality which is inherent in the nature of the transaction. This means that documents deriving from the actual transaction will be rare. A government official will keep quiet about how much money he has received from individual persons to make or to influence the making of an administrative decision. The consequence of this for the »historian of corruptions will be that he will be faced with difficult problems regarding his sources. The number of surviving documents will be small; narrative sources—often of a second-hand or third-hand character and of a strongly tendentious nature—will be the main initial material. The above-mentioned groups of source material all have their special problems with reference to source criticism.

I am definitely of the opinion that the archives of the foreign subsidiaries contain material that would be valuable for the study of corruption in Latin American government administrations. The

most important part consists of letters exchanged between the parent companies and their subsidiaries, representatives and agents. This correspondence is of a confidential character and is generally of high value as source material. The discussion of the planning of business deals, information about business agreements, and accounts of local economic, political and commercial conditions often yield information about corruption in one or more respects. However, the actual collection of material from the companies involves considerable difficulties, since the companies which co-operate run the risk of feeling themselves accused.

It may be noted that commissions paid to administrative officials and politicians were of importance as regarded all the investigated Swedish companies which did business with public authorities in Latin America. With reference to the AGA business deals during the 1910s in Argentina, Brazil and Chile and during the 1920s in Peru, Ecuador and Mexico, such financial payments may be described as forming a recurrent pattern.

As regards AGA and STAB, it has been observed that in certain situations these companies allied themselves with members of parliament, who received remuneration for their actions in connection with parliamentary decisions on concessions or the purchase of equipment. One of the purposes of these alliances was to ensure that the actual matters would be placed on the agenda quickly and dealt with quickly. It may be assumed that senators or deputies who took an active part on behalf of the companies were also prepared to engage in political agitation on their behalf. Since in that case it was a matter of parliamentary lobbying, it is naturally difficult or impossible to elucidate what occurred.

In selling its beacons and lighted buoys, the AGA company established contacts with key officials in the public administrations in Chile, Uruguay, Brazil and Argentina. These officials acted, sometimes for long periods, as the company's representatives *vis-à-vis* the authorities. Thus, the company secured representatives in the authorities' internal decision-making processes. It has been possible to show that a key group of officials who had been engaged on behalf of the company worked as the right-hand men of director-generals (or officials of corresponding rank) in the administrative units and departments in which the matter was dealt with pre-

liminarily. Several of these men were engineers. From them the company was able to obtain up-to-date particulars about tenders and prices and information about rivals and the standpoints of officials who presented reports on purchasing matters. The contact men normally received financial remuneration from the company or its representatives.

It has previously been stated that the amount of »pressure» which the AGA company brought to bear in different countries varied, both in intensity and as regarded the rank in the decision-making process of the officials who were »pressured». In Argentina during the period 1906—1914 and in Mexico during the 1920s, its contacts with the President played a large part.

The Swedish companies' relations with the administrative officials and politicians must also be considered in connection with the forms of the spoils system which existed in the different states. I do not know of any systematic investigations concerning the spoils system in Latin America and it is difficult to state the exact scale of this phenomenon. However, it is evident that changes of office-holders in changes of political power influenced the companies' sales positions to a large extent. The effect of the spoils system on the companies' actions may be stated in the following typical cases.

(a) When an official on whom the company has bestowed its money, time and powers of persuasion is removed from his post, this means, of course, that the work which the company has put in has been wholly or partly in vain. It has then to begin again from the beginning with his successor or work through other channels.

(b) When faced with an impending change of office-holder or notice of such a change in an administrative post that is important for the closing of a business deal, the company may either (1) stop bringing pressure to bear through the official concerned and instead play a waiting game, concentrating on trying to influence his successor, or (2) make further efforts and bring more pressure to bear on the contact man in question, so that he will manage to perform the necessary services for the company before his departure.

(c) When an important official in the administration takes a clearly negative attitude to the company, attempts are made to work through other channels (president or minister), when faced with

an approaching change of political power, in order to get this official replaced by a »more suitable, person.

Cases (a) and (b, 1) are the types which occur most often in the material investigated. Changes in the posts of president or minister led, almost without exception, to decreased activity in the relations between the companies and the governments. The concrete result, as far as the companies were concerned, was delay in eliciting the intended orders.

The agreements between the Swedish companies and their contact men were, as a rule, oral ones. However, a few drafts of agreements in writing have been discovered. The contact man's task was to ensure that the orders went to the company and, in certain cases, to try and see to it that the administration's payments for the equipment delivered came in. From the cases which it has been possible to study, it is clear that the contact man's remuneration was in proportion to the authorities' purchases from the company. In the AGA business deals in Brazil, Argentina and Chile before the First World War, 5% was a common amount. In Peru during the 1920s the corresponding percentage was higher.

In the material preserved in the Swedish companies' archives, the >,commission system,, (bribery) has, quite naturally, chiefly figured as a source of information about the effects of the system on the companies, who paid the commissions. It is more difficult to assess the social and economic effects on the recipients and the Latin American communities with reference to these isolated observations. It is clear that the system was established in connection with business deals with governments. Thus the Swedish companies adapted themselves to an economic and political system which they were able to influence only to a very small extent.

In several business deals between Swedish companies and Latin American governments, it as been observed that the bribery system had the effect of increasing the price level. On the one hand, the companies' connections with the officials led to the limitation of competition, as, of course, the decisive factors were not high quality and low price but instead the fact that the sellers had the right contacts, and, on the other, the companies' expenditures on commissions were incorporated in the quotation and thus charged to the purchaser.

A special difficulty arose for AGA and Bofors in Argentina, Brazil and Chile, when officials and politicians had distinct pro-English, pro-French or pro-German sympathies or the corresponding antipathies. The reason for such attitudes to different nations would seem to have been that officers from England, France and Germany were engaged as organizers and instructors in the armed forces of the countries concerned. These officers were able to create goodwill for their countrymen and could influence the official purchases to a large extent, owing to the fact that, officially or unofficially, they were also acting for armaments manufacturers or other companies. An isolated Swedish example of this combination was Albert Holmgren, who was an officer and chief instructor in the Chilean Navy and later worked as the AGA representative and supplier of beacons to the Chilean Government.

There is plenty of evidence that these fixations on the English, the French and the Germans could be sustained by bribery and corruption, whereby officials for long periods »loyally» saw to it that the orders went to the right quarters. The system would seem to have greatly restricted competition. It may be assumed that companies which wished to get into the market in order to introduce products in competition with the established suppliers had to pay their contact men high fees, with the result that the »commissions» (bribes) were raised and the corruption increased.

I have been able to supplement the account of the Swedish companies' relations with the authorities, especially as regards the payment of bribes, with information about the business methods of North American armaments firms in Latin America during the inter-war years. This information has been taken from the report of the US Senate Committee (the Nye Committee), which examined the American armaments industry in 1934—1936. The material provides evidence that it was commonly impossible to make sales to the authorities without giving sums of money to the officials responsible for making decisions (there were a good many terms for these sums of money, most of which were euphemisms). In this material, as in the Swedish material, there are indications that the bribes paid under the Leguia regime in Peru during the 1920s were unusually high. It may also be observed that the effects of the bribery system on the prices fixed by the companies were the same



as they were with respect to the Swedish companies, viz. the expenditure on bribes was included when the price was calculated.

It is difficult to express in general terms what repercussions the spoils system and its influence on the administration's way of working had on the Swedish companies' sales efforts. However, everything indicates that in the countries studied it is possible to discern periodicities in the companies' efforts and successes on the sales side. This periodicity has not been regarded as having been dependent on fluctuations in the economic situation, which certainly also had their effects on the sales figures, but as having been related to the political developments in the different countries. On account of the structure of the decision-making apparatus, with its hierarchical organization and developed spoils system, a clear adaptation to the periods of presidential office was observed in Uruguay (1909—1914), Mexico (especially during the 1920s) and Argentina (the 1910s and 1920s). No counterpart to this was traced in Chile, where there were obviously collegial forms of decision-making, as regarded sales of AGA 'beacons and Bofors arms. The usual effect of the spoils system was that the companies were unable to commence new deals or to conclude complicated negotiations during a period of about a year before a presidential election.