Title**: Dealing with globalization: The Nordic countries and inward FDI, 1900-1939**

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Authors:

Andreas R. Dugstad Sanders*

andreas.dugstad@eui.eu

European University Institute, Department of History and Civilization, Florence, Italy

Tel: +47 97672472

Pål Thonstad Sandvik

paal.sandvik@ntnu.no

Norwegian University of Science and Technology, Department of Historical Studies, Trondheim, Norway

Tel: +4795465458

Espen Storli

espen.storli@ntnu.no

Norwegian University of Science and Technology, Department of Historical Studies, Trondheim, Norway

Tel: +4799224792

* Corresponding author. Email: andreas.dugstad@eui.eu

Abstract

This article examines the different ways in which the four Nordic countries chose to regulate the inflow of foreign direct investments (FDI). By studying the laws regulating foreign ownership, as well as their implementation, it becomes clear that the four countries followed a pragmatic and tolerant policy towards inward FDI, but that the resource rich countries actively tried to prevent foreign ownership of its most important natural resources. The article also shows how the countries' stricter policy on foreign ownership in the early 20th century was not a casualty of World War I, but more predominantly a reaction to the increasing international economic integration before the war.

Keywords: FDI – Scandinavia – Globalization – Natural resources – National ownership

Main text

During the second half of the 19th century, the global markets for capital, goods and labour became increasingly integrated, creating what has come to be known as the first global economy.[1] While this globalization wave sparked economic development in the Western world, it also created dislocations and uncertainty which eventually triggered political responses. The cross-border flows of goods were the first to be contested, and from 1880 and onward free trade was challenged as many states turned towards protectionism. By 1914 only Britain and the Netherlands (and to some extent Denmark), remained firmly committed to free trade. Similarly, from the turn of the 20th century labour market integration also came under pressure as states started to introduce legislation restricting immigration. In the aftermath of World War I, international labour migration was significantly reduced. Under the combined impact of protectionism and restrictive migration laws, the world was thrown into a period of increasing deglobalization.

This backlash against free trade and labour migration has been well documented. The general outline of how tariffs were implemented, their effect on world trade, and the consequence of protectionism on manufacturing and agriculture in different countries have been well traced, likewise the cause and effect of restrictive legislation on immigration in the Western world.[2] However, the third element on which the first global economy was created, the integration of the global markets for capital, is another matter. While foreign goods and foreign labour was a clear threat to domestic producers and workers, access to foreign capital was for most states a precondition for economic development. As a consequence, inward foreign investments generally did not become a politically sensitive issue. Unlike the situation for goods and labour, there never was a big reaction against increased cross-border flows of capital.

Yet there was an exception to this general trend. While imports of capital in itself was fairly unproblematic, foreign direct investments (FDI), that is inward investments which also gave the foreign investor (usually a multinational company) managerial control, created a different logic. From the 1880s the number and scale of multinationals grew rapidly.[3] Big multinational companies could wield significant market power, and governments, especially in smaller states, in due course started to worry that big foreign multinationals could be a danger not only to domestic industries, but also to the state's economic independence and to its economic development.[4]

The existing literature on the history of host country regulation of FDI has mainly been concerned with two issues. One strand has focused on the situation in the great powers during World War I and shown how the belligerent countries during the conflict gradually moved towards a policy were subsidiaries of companies from enemy states were sequestered. The second, and much more voluminous strand, has studied how the attitude towards FDI changed in the post-WWII world. As many newly independent states in the 1960s and 1970s took control over their national resources by nationalising the assets of foreign owned companies after decolonization, the policies towards foreign investments became more restrictive across the globe. It was only with the liberalization wave from the 1980s and onwards that we can identify a worldwide policy shift away from restrictions on FDI.[5] Thus, the existing research can tell us very little about how states reacted to the question of inward FDI during the first wave of economic globalization and to what extent policies were changed during the period of deglobalization.

The aim of this article is to go beyond the scope of the existing literature by exploring the twin questions of when inward FDI first became a politically contentious issue, and how governments chose to respond to this issue. The study focuses on the four Nordic countries Denmark, Sweden, Norway and Finland, and compares and contrasts how the different regulatory frameworks for FDI developed from the end of the 19th century and until the outbreak of World War II.

The four countries are well suited for such a comparative study. They were all small, open economies tightly integrated into the world economy and, in a global perspective, they were very similar in political, cultural, legal and economic institutional factors. They were all democracies (Finland after 1917), and their populations were rather homogenous. They were also capital-importing countries, and foreign direct investments were central to the development of their economies. All four countries experienced strong economic growth from the late 19th century. According to Angus Maddison per capita annual growth rates were substantially higher than the Western European average between 1890 and 1935.[6] On the other hand, there was also one crucial difference between the Nordic countries. Their natural resource endowments were very different. This is a vital point, as it enables us to discuss to which extent policies on foreign direct investment were linked to the nature of the domestic natural resources. Where the reactions of states towards FDI decided by their resource endowments?

According to the Danish scholars Jesper Strandskov and Kurt Pedersen, the answer is yes. In their work on FDI into Denmark before 1939, they compare the development of Denmark with that of Sweden and Norway. They conclude that Denmark had significantly different policies towards FDI than their two Scandinavian neighbours and that this difference was caused by the nature of the raw materials of the three nations.[7] Their argument is that from the 1880s and onwards, a marked difference developed in Scandinavia between a generally positive Danish attitude and a somewhat more mixed one in Norway and Sweden, where Norway is characterised as an anti-FDI hardliner. This article offers a somewhat different interpretation. The Danish development was more multifaceted than they suggest. The Danish state had the same interventionistic bent as the other Scandinavian states and it did in fact regulate and prohibit several types of foreign ownership.

By investigating the evolution of the political economy of the Nordic countries, the types of foreign investments that were curtailed or restricted and not the least when and in what circumstances the restrictions were introduced, this article will yield not only new insight into the evolution of Nordic capitalism, but also on how governments responded to the changes in the international economy and how these responses affected multinational companies investing in the Nordic area. In addition, this article makes two major contributions of a more general character. First of all, building on the insights gained from the case studies of the Nordic countries, it argues that regulation of foreign ownership was not primarily a consequence of World War I, but wasalready underway before the outbreak of the war.[8] Second, we argue that this development must be understood as a response to economic globalization in general and more specifically to the rapidly increasing capital flows and direct investments around 1900 and the rise of big international trusts and combines in this period. If the growth of protectionism and the implementation of tariff regimes after 1880 can be regarded as the first wave of state response to economic globalization, we argue that increasing regulation of foreign ownership must be understood as a second wave starting shortly after the surge of protectionism and growing in strength from the turn of the 20th century.

The pre-1900 political economy of the Nordic countries

To properly understand the Nordic debates on foreign ownership regulation at the beginning of the 20th century we need to take into account the broader backdrop of Nordic political and economic history.[9] The Nordic countries were among the most democratic in Europe. In Denmark, Norway and Sweden, democracy was an outcome of gradual and peaceful processes during the long 19th century. They were all relatively homogenous Lutheran societies. The extensions of the franchise and the empowerment of the parliaments resulted in more inclusive political systems, enrolling new social groups in political decision-making. In Finland, democratization was a more complicated story. Full franchise for men and women was introduced in 1907, but as Finland was a part of the Tsarist Empire until 1917, ultimate power rested with the Tsar until independence.

The Nordic countries combined some elements of the Prussian (or German) and the Anglo-Saxon ways of organizing society. As in Prussia, the Nordic politicians and electorates had a strong belief in the benevolent potential of state regulation. The countries had competent and honest state bureaucracies with a high degree of legitimacy. Especially in Sweden and Norway the state embarked on ambitious modernization policies during the 19th century. They thus had strong interventionist states as in Prussia, but they shared the Anglo-Saxon emphasis on individual rights and were more liberal, open and democratic societies than Prussia.

From the late 19th century onwards state intervention increased significantly, this included veterinary and health measures, social insurance and basic regulations of the labour market as well as more active trade policies. The state assumed increasing responsibility for the health, welfare and prosperity of its inhabitants. The relationship between state, society and the economy was thus slowly changed.

In the latter part of the 19th Century the Scandinavian countries came to pursue quite different trade policies. In 1888 Sweden followed the German example and turned towards protectionism. Due to her advanced steel and machinery industry, she probably had most to lose from increased German competition. Denmark and Norway on the other hand remained basically committed to free trade. As small export oriented countries, they depended on world trade and especially on Great Britain and the British Empire. The Norwegians did however raise some tariffs in 1897 and in 1905 and the Danes did likewise in 1908.[10] What to protect and what not to protect became burning political issues. The economy thus became increasingly politicized.

By the turn of the century the Nordic countries already had legislation which to some degree regulated inward foreign direct investments. Laws that required foreigners to obtain a royal licence to acquire property were passed in all four countries in the 19th century, with Norway being the last in 1888. The licences were in most cases easily obtainable, but it gave the states an opportunity to regulate foreign ownership. However, the laws had a loophole for joint stock companies as the laws did not take the nationality of shareholders into account. This meant that as long as a company was registered in the country, it counted as a domestic subject, and was thus exempt from the licensing laws. This loophole became a contested issue, particularly in Sweden, Finland and Norway.

Some sectors of the economy were closed for foreign investors as the Nordic states ensured that some vital economic institutions or businesses were in public hands, particularly infrastructure. In Denmark, Norway and Sweden, British entrepreneurs invested in the first railroads, which were built around 1850. The Swedish government decided quite rapidly that state ownership of the trunk lines was preferable. In Norway and Denmark public ownership was achieved somewhat later, but the end result was the same as in Sweden; foreign ownership of the key railroad networks was to be avoided through state ownership. The telegraph was a state monopoly from the outset, thus

excluding potential foreign investors. Besides infrastructure projects there were few restrictions to foreigners, and particularly from the 1880s and onwards foreign direct investments in the Nordic countries picked up pace. While most of these investments were uncontroversial, some caused the Nordic governments to rethink their stand on foreign ownership.

The pros and cons of foreign direct investments

There were many reasons why the Nordic countries should welcome inward foreign direct investments. It brought in new expertice, and provided a more direct access to foreign consumers. Most of all, it provided the Nordic countries with much needed capital. There are no comprehensive data sets for inward FDI for this period, but it is clear that all four countries were to varying degrees dependant on capital imports.[11]

On the other hand, FDI was often viewed as a double-edged sword. Besides purely emotional arguments, a number of objections to the liberal policy were made in the Nordic countries. These concerns were of course often overlapping, but we will still attempt to separate them into a few broad categories.

One central objection was national security, which could be undermined by FDI in a number of ways. Foreign owned companies could potentially be agents of hostile powers, taking control over key nodes of the economy in preparation for military intervention. There was also a more subtle and less conspiratorial way that FDI could potentially undermine national security. According to the norms of international law at the time, governments had the right to defend their citizens' investment abroad against uncompensated confiscations – by force if necessary.[12] However, what exactly constituted unjust confiscation was not necessarily clear. Thus, some worried that a company which came into conflict with the host government – for instance over regulation or in a labour dispute – might draw in their home country government to put pressure on the host. Nor was the home country of a foreign investor the only theoretical threat. The presence of substantial foreign owned companies from one great power might lead a rival great power to intervene in time of war, even if the host country had decleared itself neutral.

Company power could also be seen as a problem in its own right, without the added threat of intervention from foreign powers. This was particularly the case for large international trusts or cartels, which could use their economic might and control over the production chain to run competitors out of business, and/or raise prices to consumers.

FDI was also at times opposed on the ground of developmental concerns. While FDI brought much needed capital, foreign owned companies were also thought more likely to draw profits out of the country. Foreign investors were thought less likely to have an interest in the overall development of the host economy, and thus favour high-value added processing in their home countries. In this way, foreign owned enterprises could develop into enclaves, with little economic and technological spillover to the host country.

All these objections could also be motivated by less "selfless" patriotism. We should also consider the possibility of opposition to foreign direct investments being motivated by vested economic interests, from those who saw their own business and social position threatened by a stronger and nimbler foreign competitor.

These ambiguities towards foreign direct investments were not unique to the Nordic countries. Before the First World War, some American states introduced (mostly theoretical or

ineffective) restrictions on foreign land ownership.[13] Industrial latecomers Russia and Japan retained government restrictions on foreign ownership,[14] but only Japan followed something akin to a consistently restrictive policy towards FDI – even though it also had its exceptions.[15] For most of the rest of the world, foreign direct investment – despite sometimes stirring nationalist ire – was for the most part welcomed without restrictions. In order to examine how these policies changed, we will now turn to the specific historical and economic contexts of each Nordic country.

Iron ore and the emergence of ownership restrictions in Sweden

Sweden was the largest economy of the Nordic countries and her exports were dominated by the country's abundant natural resources. In the last decade of the 19th century, the most important Swedish exports were wood-based products, with butter and iron goods coming second and third. Over the first three decades of the 20th century, the relative importance of butter and sawn timber declined, while the share of mineral ores, pulp and paper and manufactured goods grew.[16] Of the key sectors of the Swedish economy in 1899, foreign ownership was most prevalent in the capital-intensive mining industry, were about 27% of total production came from foreign owned companies. The corresponding figure for the forestry industry hovered around 10%.

Both for its strategic, economic and historic importance Swedish iron ore, and the Swedish iron and steel industry, held a special place in the Swedish economy. In the 1880s, the vast iron ore deposits in Norrland in northern Sweden began to attract investors. The Swedish policy on iron ore deposits was at the time very liberal. By law, the Swedish state could demand 50% ownership of any iron ore deposit found on crown land, which were extensive areas, particularly in the north. But the state had in practice abandoned this right to further reward private initiative. Thus, the major ore deposits in *Gällivarre* and *Kiruna*, located in the far north of Sweden, were wholly owned by private investors with a substantial amount in the hands of British subjects.[17]

The prospect of foreign investors extracting iron ore in Norrland created unease for several reasons. Opposition to foreign ownership and ore exports were voiced in the Swedish parliament as early as in the 1860s, and the view gathered momentum towards the end of the 19th century. The main organized opposition towards foreign investment in iron ore extraction came from the Swedish ironworks owners. Their key argument was that foreigners would export iron ore to other European countries and thus increase competition for Swedish iron and steel exports, as well as diminish ore reserves which could be used by the Swedish industry in the future.[18] However, outside the ironworks lobby there were also calls to restrict foreign ownership, but to allow ore exports as long as the profits remained on Swedish hands.

The fact that the iron ore was located in Norrland made the issue even more politically sensitive. Norrland was rich in natural resources, but was scarcely populated and big (foreign) companies could easily become dominant actors in the north. The protectionists argued that foreign ownership of mines and infrastructure would effectively overpower political authorities. The protectionist Swedish press was eager to point to the political consequences of British mining operations in Spain and British railway companies in Portugal, and later to the consequences of British mining operations in Transvaal. There was also the ever-present fear that Sweden's traditional nemesis, Russia, fostered secret ambitions to gain control over the resource rich northern Sweden.[19]

A turning point came in 1888 when the Swedish political party system reorganized and protectionism became one of the main dividing lines. By this point, a British company (Wilkinson & Jarvis) had obtained a 50-year lease on the Gällivare deposits and received a government concession

to build a railway from Gällivarre to the eastern coastal town of Luleå. However, with increasingly loud calls for export duties within the Swedish ironworks lobby, the government eventually turned against the company. As the railway construction went behind schedule, the government was unwilling to grant a deferment on the set compleation date, and furthermore refused to give a property licence to the company's planned ironwork near Luleå.[20] The possibility of export tarriffs and the government's negative attitude decreased the British company's standing in the international capital markets, causing it to file for bankruptcy in 1889. According to Bo Jonsson, this was a deliberate ploy by the ironworks lobby.[21] The railroad was subsequently bought by the Swedish state, and Swedish investors obtained the ore deposits. However, the various Swedish companies who successively owned the deposits had weak economic foundations and the possibility of a foreign takeover was always present. After years of political wrangling, the Swedish state made a deal with the Swedish owners, *Trafik AB Grängesberg-Oxelösund* (TGO) in 1907. In exchange for refraining from new special taxes on the ore fields and allowing an increased amount of ore to be transported on the state owned railway, the state obtained half the shares in the Kiruna and Gällivare ore fields. The shares in the mining company would also be restricted to Swedish citizens and wholly Swedish owned companies – thus ensuring future Swedish ownership and control over the richest ore fields.[22]

While the state had intervened to keep the Norrland ore out of foreign hands, there was considerable reluctance among the Swedish legislature to introduce more comprehensive laws on foreign ownership. Ever since 1829 foreign citizens needed a royal license to obtain property and from 1872 foreigners also needed a royal license to engage in mining operations.[23] However, with the rise of joint stock companies it became easy to circumvent this law. A company would be treated as a Swedish subject if it was registered in Sweden, and had a 2/3 majority of Swedish citizens on the board of directors, but there were no restrictions on foreign stock ownership. Proposals to revise the law were put before the parliament as early as 1873, and then again in 1895 and 1899. All proposals were defeated. The opponents believed that such restrictions would either be difficult to enforce, or damage Sweden's access to capital. The issue was once again brought forward in 1905, during the height of the debate on the Norrland ore fields. While the majority of both chambers of parliament were eager to keep the ore fields on Swedish hands, there was no majority for creating a new licence system for all mining operations in the country.[24]

At the same time, foreign ownership was also a burning question in the forestry industry, but for different reasons.[25] Unlike the Swedish iron and steel industry, the Swedish timber companies objected to stricter legislation. Instead, it was Swedish smallholders and crofters – backed by urban radicals, some socialists and liberals – who were most opposed to foreign ownership. A Swedish government report from 1901 examined foreign ownership in 192 of the most important timber companies. 46 of them had foreign shareholders, mostly from Norway and Great Britain. Altogether, 26% of the shares in the 46 companies were in foreign hands.[26] These large foreign owned timber companies were singled out as the most prominent example of large-scale business exploitation of Swedish resources and the local population of the northern counties, but the critizism also included Swedish owned companies. The question of forest ownership also played into the larger Swedish debate on emigration, which was perceived as a major national problem at the time. Better conditions for smallholders in Norrland could hopefully divert the emigration of young Swedes from North America to northern Sweden. In 1907, a new set of laws was passed which severely restricted further acquisitions of forests for all private companies (including domestic companies) in the northern counties. In 1917 and 1926 the law was extended to encompass the whole country. The resulting legislation allowed for increased state control (and local ownership by farmers), but interestingly investments by both foreign and private Swedish forest product companies were halted.[27]

The issue of new legislation on foreign ownership was raised once more in 1912, and again in relation to the iron mining industry. This happened in spite of the fact that the production share of foreign owned mining companies had fallen considerably, from 26,6% in 1899 to 10,9% in 1913.[28] It also happened in spite of Swedish state control over the ore fields in Norrland. The new bone of contention was German investments in the mining industry in southern and central parts of Sweden. By 1913, Germans owned 1/6 of all shares in the mines in these districts, and ore exports to the German steel industry had skyrocketed. The government responded by preparing a new law, which was eventually passed in the spring of 1916, dubbed the Restriction Act (Swe. *Innskränkingslagen)*. The new law stated that Swedish companies needed a royal license to obtain property or engage in mining if more than 20% of its shares, or more than 20% of the voting power, were in the hands of foreigners. Unlike in 1905, the Swedish state in 1916 was willing to risk losing access to foreign capital. This was in part due to the apparent lack of capital flight following Norways new restrictive laws (see below).[29] As the Permanent Secretary to the Department of Justice stated in the law proposal:

> *That a country, which wealth to a very large extent consists of its natural assets of forests, ores and hydropower, which it needs as a foundation for its industry, tries through controlling measures to protect the most valuable of these resources against foreign exploitation, is moreover such a natural thing, that an objection from abroad can not be warranted.*[30]

However, proponents of the new law emphasized that it did not bar foreign investors from taking part in mining or other economic activity, but that rather it would ensure national control before foreign ownership of Swedish companies got out of hand.[31]

The impact of The Restriction Act of 1916 would to a large extent depend on how it was implemented. The law proposal made it clear that the target of the law was foreign ownership of natural resources, and immediately after it passed, the Swedish state blocked attempts by foreign owned companies from obtaining new mines or expanding their forest holdings.[32] In other words, government action was in part responsible for what Sven Nordlund describes as an abrupt end to further foreign aquisitons of Swedish mining companies.[33] However, there is little indication that the law was used to restrict foreign acquisitions in other sectors throughout the 1920s.

Besides natural resources, foreign ownership was not allowed in banking, as shares had to be owned by Swedish citizens.[34] In this regard the Swedes were more restrictive than the Norwegians and the Danes. In Norway, when banking regulation was introduced in 1918, foreign citizens were allowed to own up to 25% of the shares in banks.[35] There were no such restrictions in Denmark.[36]

Otherwise, there were limited direct measures by the Swedish government against foreign ownership. There were however some exceptions in sectors dominated by international trusts. As in Norway and Denmark, the rise of British-American Tobacco (BATCO) was seen as a threat to the domestic Swedish tobacco industry, and was an important argument in favour of a state-owned tobacco company. The issue of a tobacco monopoly had been raised at several junctures as a way to increase government revenue. The domestic tobacco companies –quite predictably – opposed this, but in 1914 the advent of BATCO eventually tipped the parliamentary balance in favour of a monopoly, which was established the following year.[37] The Swedish government also had some qualms about allowing Lever Brothers to expand its production in Sweden, but eventually allowed it to obtain a Swedish soap factory in 1923.[38]

While there is little indication that the Restriction Act of 1916 was used extensively in the interwar era to restrict foreign investments outside natural resources, certain foreign companies were wary that their investments might be targeted for political or nationalistic reasons, and did their best to hide the extent of their involvement. This was most prevalent among German companies. For instance, IG Farben hid many of its investments in Sweden through the extensive use

of straw men, or by forming agreements where IG Farben would still have ultimate control while the subsidiary was formally in Swedish hands.[39] These methods were also used by German arms companies like *Krupp*, *Junker* and *Heinkel* which invested in the Swedish arms industry to remain technologically competitive under the restrictions of the Versailles treaty.[40]

The disclosure of the covert German arms investments in 1932 raised calls for stricter legislation. Further circumvention of The Restriction Act also came to light following the bankruptcy and suicide by Ivar Kreuger, creator of *Swedish Match* and one of Sweden's leading businessmen. The Kreuger debacle was a cataclysmic event in interwar Sweden. In the ensuing inquiry, it was revealed that foreigners held about 60% of the Swedish holding company *Kreuger & Toll*. Among other things, Kreuger & Toll owned a majority of the mining company *Boliden*. As the foreign owned shares in Kreuger & Toll were mostly shares without voting rights it did not fall within the realm of The Restriction Act. In 1934, The Restriction Act was therefore expanded to set the limit of foreign ownership and foreign held voting shares at no more than 20%. The new law was accompanied by another law which made straw man agreements illegal.[41] However, these new restrictions should be viewed as the strengthening of the safeguards put down in The Restriction Act, rather than an overall change of policy towards foreign owned companies.

The Swedish government seems to have followed an overall policy where foreign direct investments would largely be welcomed. However, as a response to fears that foreigners might come to dominate the natural resource sectors, Swedish politicians saw the need to pass the Restriction Act of 1916 to be able to block unwanted foreign ownership. The rationale behind this could be interpreted as a renewal of the powers the Swedish government had in the existing 19th century licence laws. There was however a slight, but significant change in Swedish policy towards foreign ownership in the early 20th century. The reasons for government intervention were expanded to also include measures to ensure that the resource rent from the Gällivarre and Kiruna ore would benefit Swedes rather than foreigners.

Hydropower and the rise of ownership restrictions in Norway

Norway was an autonomous part of the kingdom of Sweden and Norway until she achieved full independence in 1905. Norway had traditionally followed very liberal policies on both trade and foreign ownership. By the turn of the century the Norwegian exports were dominated by shipping, fish and wood based products, with shipping accounting for as much as 39% and wood based products accounting for 20% in 1895.[42] There was significant foreign ownership in the wood processing industry, as well as in the rapidly expanding mining, metal and electrochemical industries.

The major turning point in Norwegian policy towards foreign direct investments came with the advent of the electrochemical industry. The heavy rainfall in the Norwegian mountains had suddenly become an economic asset as it provided the country with huge hydropower potential. In 1920, Norwegian output of electric energy was almost as high as in France and Great Britain, which had 15-18 times as many inhabitants.[43]

The most promising waterfalls were purchased by speculators and foreign-owned electrochemical companies. By 1906, 77% of all hydroelectric plants with an installed capacity of over 3000 horsepower (hp) were owned by foreign citizens.[44] The high level of foreign ownership of a highly valuable natural resource caused alarm in the newly independent country. In the spring of

1906 the Norwegian parliament reacted by hurriedly passing a law which stated that all acquisitions of hydro power by foreigners or limited companies needed a government concession.

Over the following years the reach of the so-called *Concession Laws* was considerably extended. The first law only concerned the acquisition of watercourses, but the following summer the law was expanded to include the acquisition of forests and mineral claims. In 1907, the law was extended once more to also include companies who leased more than 250 hp of hydroelectric power. It also became government practice to include terms on natural resource concessions. The first concessions given in 1906 were only concerned with the number of Norwegian nationals on the company board of directors, but it quickly became common practice to also include terms which gave preference to Norwegian made materials and machinery. Later it also became common to include concession taxes, as well as minimum conditions on workers housing and welfare. A radical new principle, the Right of Reversion (No. *Hjemfallsrett*), was introduced in 1907 which stated that the waterfall in the concession, as well as the dams, buildings and machinery would pass to the state without remuneration when the concession expired (usually after 60-80 years). The right of reversion became mandatory for all hydropower and mining concessions in 1909.[45]

As in Sweden, the Norwegian concession laws reflected both a continuation of policy as well as a radical new principle on government domain. As it was obvious at the time that electricity would become an important part of Norwegian infrastructure, a policy that favoured government ownership and control could be said to be in line with the established Norwegian policy on railways. But as in Sweden, the Concession Laws also reflected a desire to ensure that the benefits of Norwegian natural resources came on Norwegian hands, both through future state ownership of power production and by introducing measures intended to ensure spill over effects to the rest of the economy.

The Norwegian legislation on FDI makes an interesting contrast to the Swedish. While the Swedish laws were a tool to block unwanted foreign investments, the Norwegian law created a compromise where foreign ownership could be accepted, but under terms set to prevent possible negative consequences. Part of the reason why Norway opted for such an approach was probably due to the high levels of foreign ownership and inward FDI in the country and lack of viable domestic owned alternatives. Barring foreign owned companies from operating in the country would easily be the same as barring growth and development.

It must be emphasised that the concession laws did not block foreign investment in hydropower and mining. The concession laws only applied to new concessions, and existing foreign owned hydropower plants and mines were not confiscated or nationalised. On the contrary, the level of foreign ownership continued to rise in both sectors. By 1909, 85% of the share capital in the electrochemical industry was foreign owned, while 80% of the mining companies were in foreign hands.[46] Foreign investments continued to pour in until the outbreak of the Great War.

Government policy on foreign ownership of forests was stricter than in hydropower and mining. A substantial part of the Norwegian timber, pulp and cellulose companies were owned by foreigners – predominantly British citizens. But in contrast to the ownership structure in the energy intensive industry Norway also had a competitive domestic-owned forest industry.[47] The concession law on forests passed in the autumn of 1909 categorically ruled out further acquisitions of forests by companies with any foreign shareholders. However, the new legislation was not exclusively aimed at foreigners. It also contained elements of social engineering in order to protect farmers against industrial interests. The law prohibited the sale of forests owned by farmers (no. *gårdsskog*) to non-local residents.[48]

A key question in the contemporary debate on the concession laws was whether domestic investors were to be favoured or whether all investors should be treated equally, irrespective of their nationality. The politically dominant Liberal party first opted for the latter option. The party wanted to ensure state control over the exploitation of the natural resources, to prevent all forms of private monopolization of hydroelectricity and to secure basic levels of worker safety and welfare. Treating foreign and domestic investors equally also had practical advantages. It was often hard to establish exactly who were in possession of which shares, and once a concession was given it was difficult to ensure that the ownership situation didn't change.

The final concession law was passed in 1917. Both preferences for public ownership as well as discrimination against foreigners were strengthened. Foreign companies were only allowed to invest in Norwegian hydropower under "singular circumstances".[49] The First World War had now turned the pre-war situation on its head. Revenue from the Norwegian shipping industry and other export industries had created a vast surplus of capital, some of which was used to create the first major Norwegian owned electrochemical companies. Two important foreign owned companies, Borregaard (Kellner-Partington) and Hafslund, were also "repatriated" by Norwegian investors aided by the Norwegian state.[50] During the war and in the immediate aftermath, the Norwegian government adopted a strict concession policy, were further foreign direct investments in hydropower and energy intensive industry were discouraged.[51] The Norwegian state also purchased *Glomfjord,* a large unfinished Swedish-owned hydropower plant in northern Norway. Less is known about the concession policy on mining. But it is not unlikely that the Norwegian policy on mines were radicalised in a similar fashion as hydropower. In 1918, the Norwegian government forced a French-owned aluminium company to sell its pyrite mines in central Norway to the Norwegian state as part of a power lease concession for a new aluminium smelter.[52]

As the state of the Norwegian economy changed over the course of the 1920s, the restrictive policy on foreign investments was relaxed. The post-war depression, which began in the autumn of 1920, hit Norway hard. The energy intensive industries were especially afflicted and some had to cease production for large periods of time, while others verged on the edge of bankruptcy. Several Norwegian commercial banks faltered and were placed under receivership and unemployment rose dramatically. The downturn also affected the pyrite mine and the hydropower plant that the Norwegian state bought during the war. Both turned out to be spectacular economic failures and became a permanent stain on the legacy of the Liberal wartime government. Thus the interwar governments reluctantly chose to give concessions to foreign investors willing to refinance the Norwegian hydroelectric and energy intensive industry.[53] There were however examples where long processing time and uncertainty over final concession terms seems to have put potential investors off investing in Norway.[54] Still, foreign owned companies continued to dominate the Norwegian energy intensive industry in the interwar era. Similar developments took place in the forest related industries where several Norwegian owned sawmill and paper companies were sold to foreign investors.[55]

Outside the realm of natural resources, Norwegian discrimination towards foreign owned companies was less widespread. But as in Sweden, there was some opposition, both from the public and from politicians, against large international trusts. In 1923, the government tried to prevent the Dutch margarine company van den Bergh from establishing a factory in Oslo and in 1927 it sought to block a foreign takeover of the sole Norwegian producer of linoleum. In both cases the government was ultimately unsuccessful. As in Sweden, the British-American Tobacco Company (BATCO) aroused opposition. The domestic tobacco companies received some state backing in their call for consumer boycotts against BATCO, but the tobacco industry was not nationalised as in the neighbouring

country, and BATCO continued producing cigarettes at its Oslo factory throughout the 1920s. However, BATCO cannot have been very optimistic with regard to its prospects in Norway. In 1930 it entered a compromise with its main antagonist, Tiedemanns Tobaksfabrik. The two companies established a joint venture, with the blessing of the Norwegian Trust Control Agency. At the same time the Anglo-Dutch combine Unilever attempted to gain control over the Norwegian margarine and soap industries. After a protracted political battle it had to settle for a compromise in 1931. Unilever was allowed to acquire 50% of the shares in the major domestic soap producer Lilleborg, but further takeovers were blocked.[56]

As in Sweden, the change in Norwegian policy on foreign ownership was closely linked to foreign investments in natural resources. Over the course of the first two decades of the 20th century, the country introduced comprehensive legislation to regulate all foreign investments. By introducing the practice of adding terms to concessions, the Norwegian governments were given the option to compromise between denying and allowing unrestricted foreign ownership in these sectors. Apart from a shorter period in the 1910s, this remained the policy of choice for Norwegian governments. Ownership nationality remained a rallying cry outside the natural resource sector, particularly in sectors where large foreign owned companies could squeeze out domestic competitors. But apart from a few attempts by the state to limit the scope of operation for largest foreign owned trusts, the overall policy remained one of cautious acceptance of foreign ownership.

Forests, independence and the question of foreign ownership in Finland

Historically, Finland had close links to Sweden. It was a part of Sweden until 1809 when Finland was transferred to Russia as an autonomous Grand Duchy. However, the Finns were allowed a relative large degree of independence in terms of domestic policies and Swedish legislation and institutional setting remained largely intact after 1809. Finland gained full independence in 1917.

The most important natural resource in the country has always been the forests – Finland's "green gold". Two thirds of the country consists of forests – mainly coniferous trees - and other wooded land. In 1920 as much as 94% of Finnish exports were wood based products.[57] In the latter half of the 19th century, especially in the 1870s, there were quite large foreign investments in the forest industry. This came predominantly through Norwegian companies supported by British, Belgian, French and German capital. The foreign-owned operations came to dominate the Finnish industry, owning large tracts of forested land.[58]

Given its paramount position in the Finnish economy, it is unsurprising that foreign ownership of forests became a controversial political issue. In the 19th century Finland had licence laws comparable to the pre-Restriction Act Swedish laws which required government permission for land ownership and engaging in mining, but which did not include foreign owned Finnish companies.[59] In 1915 Finland passed a law which limited further acquisitions of forests by companies. However, this law by itself did not change the existing ownership structure of Finnish forests. But after the short but violent civil war which followed Finnish independence, the Finnish government intervened directly and bought several of the largest foreign owned wood processing companies, like *Gutzeit* and *Tornator*.[60] These companies owned large forests, as well as the riparian rights to some of Finland's most important watercourses. Other foreign owned wood processing firms, like *Salvesen* and *Halla* were acquired by private Finnish investors.

The state acquisitions were part of an effort to prevent foreign ownership of Finnish hydropower. In addition to acquiring the wood processing companies, the state also acquired the ownership of the Imatra falls on the Vuoksi River in Finnish Karelia. There had been several attempts by foreign investors to develop the falls and sell the electric power to nearby St. Petersburg, which the Finnish government had done its best to thwart. Such plans would both link Karelia uncomfortably tight to the imperial capital, as well as using what might become a useful source of cheap energy for the Finnish population. After gaining independence, the Finnish government banned all export of energy from Finland and expropriated the remaining, primarily French-owned parts of the watercourse in 1920. With the Imatra falls, the Finnish government owned all the major hydropower resources in southern Finland. The original owners were not satisfied with the compensation scheme, but despite protests from the British and French government, the Finnish were unwilling to pay more. This practically marked the end of foreign direct investments in Finnish hydropower.[61]

As with the Norwegian examples of state acquisitions, the reasons for the owners to sell their stock were mixed. The foreign owners of Finnish sawmills were alarmed by the violence and instability in the newly independent state, many thought it best to cut their losses and get out. However, as was the case in Norway, the companies were also unnerved by the nationalist rhetoric and the prospect of stricter policy on foreign ownership in the future. In the Finnish case this was perhaps heightened by the examples of outright confiscation of property in the neighbouring Soviet Union. The price the Finnish state paid for the companies was much less than the state estimated it was worth. But when the dramatic decline in timber prices following the post-war downturn is taken into account, the price the Finnish state paid turned out to be fairly generous.[62]

Finland's independence from Russia in 1917 was also followed by new legislation which limited the scope of operations for foreign entrepreneurs and foreign capital. The statute of 1919 regulated business and industry and established different rules of the game for Finnish and foreign entrepreneurs and investors. Foreign citizens now needed a permit to set up a business in Finland and had to guarantee in advance the payment of taxes and other charges due to the state and to the local administrations.[63] Foreigners were also barred from owning properties in Viipuri (Viborg) province in Eastern Finland, mostly as a response to fears of immigration from the neighbouring Soviet Union.[64] In the 1920s, the national assembly discussed whether foreigners' rights to own shares in Finnish limited liability companies should be restricted. The aim of the proposal was to prevent foreign investors from owning land through limited liability companies, akin to the laws in neighbouring Sweden and Norway. However, the proposal was initially rejected as it was realized that Finland still needed foreign capital to develop the country.[65]

Nevertheless, when it came to the question of ownership and control over natural resources, the Finnish state proved very reluctant to let in foreign interests. The history of the copper mining company Outokumpu can serve as an illustration. In 1910, geologists discovered rich copper deposits in Northern Karelia. The Outokumpu mining company was established as a joint venture between Finnish private interests and the Finnish state. However, in 1917, a Norwegian-Finnish company took over the operations of the mine on a lease. After three years, the tenant company was facing bankruptcy, and the Finnish state bought the majority of the shares in 1920. The state soon received offers from Swedish, British, German and American companies to take over the copper company, but even though the country needed both modern mining technology and capital, the nationalist considerations prevailed when the parliament decided the issue. There was widespread fear that foreign interests would plunder the Finnish deposits, and then walk away from an exhausted resource. The argument that foreign capital should be excluded from Outokumpu because

of the copper deposit's critical importance to the domestic defence industry was especially persuasive. Instead of selling out, the Finnish state bought out the remaining private investors. From early 1925, Outokumpu was a state-owned enterprise.[66]

However, when it came to the other significant metal that Finland possessed, the large nickel deposits in the Petsamo region, the Finnish government eventually did seek foreign investments. The rich Petsamo nickel ore bodies were discovered in the early 1920s, and although the Finnish state initially tried to develop the nickel mines by way of the domestic Outokumpu, the government realised by 1930 that the company lacked the capital and the technological know-how to do it successfully. Instead, the Finnish government now actively encouraged foreign companies to take an interest in the deposits to drive up the price, and in 1934 the state sold the mining rights to the world's dominant nickel company, the Canadian-American *International Nickel Company* (INCO).[67]

The prevalent Finnish economic nationalism made sure that only a few, new foreign companies entered the country in the interwar years. In wood processing, three foreign companies set up cellulose factories in Finland and the Swedish Kreuger-match trust had some investments in the country. Other foreign investments were made mainly to get around customs barriers. Companies like AGA and AEG in electrical equipment, and Unilever in soap and margarine, set up subsidiaries in Finland to assemble semi-finished goods or to work with raw materials, which proved cheaper than to import finished goods.[68] According to Riitta Hjerppe's calculations, foreign ownership was most prevalent in the chemical industry and textiles and clothing industry where they had a 19% and 14% production share in 1930.[69]

In the late 1930s, the Finnish political debate again turned towards foreign investments. The country prospered during the second half of the decade and there was less need for foreign capital. Towards the end of the decade there was also clear signs of growing foreign interest in Finnish natural resources again, especially timber, copper and the recently discovered large nickel deposits in Petsamo. New and more restrictive laws were passed in 1939. Henceforth, no foreign citizen or foreign company could acquire real estate in Finland without government permission. In addition, foreigners were only allowed to lease properties for up to two years, for periods beyond this they needed government permission. The law did not only restrict foreign companies, but it also applied to Finnish joint stock companies where foreign citizens had more than twenty per cent ownership. Unless Finnish companies had a "foreigner clause" in their articles of incorporation, stating that foreign interests could only hold up to one-fifth of the capital, the companies were denominated as "dangerous corporations", and would be treated on par with foreign companies. Finnish companies could not have foreign citizens as board members, nor could a foreigner be the general manager of a firm.[70]

In Finland as in Sweden and Norway foreign ownership was particularly controversial when it came to natural resources. The Finns took a different approach to solving these issues than neighbouring Sweden and Norway. Rather than passing wide-reaching laws that regulated all ownership of natural resources, the Finnish state instead took an active role in appropriating the most important natural resource owning companies from foreign investors. This is somewhat similar to what took place on a smaller scale in Norway. But in Finland there seems to have been less of a political backlash to state ownership, when losses were incurred due to falling raw material prices. Instead, Finland continued its policy of state ownership for most of the interwar period.

Liberal Denmark?

When it came to political restrictions on foreign ownership, Denmark has been portrayed as the outlier among the Nordic countries. In his thorough discussion on multinationals doing business in Denmark in the interwar era, Per Boje does not mention any example of companies encountering any political difficulties or obstacles to their growth.[71] Neither do Jesper Strandskov and Kurt Pedersen in their article on foreign direct investment in Denmark before 1939.[72]

The Danish "exceptionalism" provides an interesting contrast to the development in the other Nordic countries. Why did Denmark, which had a quite similar political culture as her Nordic sister countries (especially Norway and Sweden) choose a different strategy with regard to foreign investment and ownership? The explanation throws light upon the development in the whole Nordic area.

In Norway, Sweden and Finland restrictions on foreign ownership was introduced or strengthened in the first two decades of the twentieth century. The issue of foreign ownership was also debated in Denmark. National sentiments were rising and they permeated almost all parts of society, including the economic sphere. Hans Kryger Larsen has noted that nationalist rhetoric was often used in debates on economic policy.[73] It should be noted that some restrictions on foreign businesses were introduced, and others were retained. The picture was thus a bit more complex than Boje, Strandskov and Pedersen suggest. Only foreigners who had resided five years in Denmark were allowed to start wholesale or retail trade. The provisions dated from the business law of 1857 (da. *Næringsloven*). The government could grant exemptions to people who had resided in the country for only two years. In this regard, Denmark had stricter provisions than her Scandinavian sister countries.[74] The Danes were also the first Scandinavian country to introduce legislation that discriminated foreign-owned life insurance companies (1904). As a result the 'foreign' share of the Danish market was significantly reduced.[75] While we lack comparable information on Sweden and Norway it seems clear that their insurance markets remained more open for foreign competitors.[76] On the other hand, foreign owned banks were allowed to operate in Denmark. Although none chose to do so, this policy stands in contrast to the banking policies of the other Nordic countries.[77]

In 1917 the Danish parliament passed a joint stock company act. Foreign ownership was one of the controversial issues. According to Niels Thomsen there was a "wild disagreement" in The Danish Industrial Association (Industriraadet) regarding the provisions regulating foreign owned companies.[78] The historiography does not offer much information on this disagreement, but one may assume that there was some support for policies more akin to Norway and Sweden. This was evidently only a minority position. The end result was that the act only encompassed some restrictions on foreign ownership in insurance and retail trade. The act also made clear that foreign owned joint stock companies operating in the country had to register in Denmark and pay Danish taxes. Furthermore, the majority of the board members had to be Danish citizens or long-time residents in the country.[79]

As in Norway and Sweden, tobacco proved especially controversial. The entry of BATCO offers a glimpse into the nationalism in Danish business circles. In 1913-14, the domestic producers of tobacco products teamed up and called for a boycott of BATCO. They were clearly inspired by the Norwegian campaign against the Anglo-American colossus. In Denmark the combatants negotiated a truce in 1916. They established a cartel which seems to have been quite favourable to the domestic-owned companies. At this stage several politicians had called for a state tobacco monopoly.[80] The proposed monopoly seems to have had mainly fiscal objectives, but in an era with intense nationalism the entry of the "alien" BATCO probably strengthened the hand of the politicians arguing

for a monopoly. Both BATCO and its domestic opponents may therefore have found it wise to compromise in order to avoid nationalisation as had happened in Sweden in 1914.

One could in other words – even in Denmark – find opposition against foreign multinationals and foreign ownership, but this resistance was clearly weaker than in the other Nordic countries. A possible reason for this could be that the Danes believed more strongly in orthodox liberal principles and free trade. This may indeed have been the case, at least until 1931-32. In contrast to the other Nordic countries, Danish farmers were staunch supporters of international free trade. Danish agriculture depended heavily on exports. For this reason protectionism found less support in Denmark. However, the political differences between the Nordic countries should not be overstated. The Danish state had much of the same interventionist bent as the Norwegian and the Swedish state. This was evident both during World War I and in the 1930s.[81]

Another possible explanation for the Danish high acceptance for foreign ownership could be that Denmark had a more moderate variety of (economic) nationalism. This is difficult to judge as there are no comparative studies which examine the strength of nationalism in the different Scandinavian countries. However, based on general knowledge of the Nordic countries around 1920, it does seem reasonable that nationalist passions ran higher in Norway and Finland than in Denmark, but we have no reason to assume that Danish nationalism was weaker than the Swedish. This factor can't therefore explain the differences with regard to openness for foreign ownership between Denmark and Sweden.

The main reason for the Danish exceptionalism was probably that Denmark attracted a different type of foreign investment and that her resource endowments were different (far less forests, hydro power and mineral wealth). These reasons were to some extent interlinked. Denmark had a more advantageous geographical position than especially Norway and Finland. For multinationals wanting to serve the Baltic and Nordic markets Copenhagen was an ideal location. For this reason, Ford established an assembly plant in Copenhagen in 1919 and General Motors in 1923.[82] The American car producers were not alone. A number of foreign-owned companies chose Copenhagen as a base for their factories or regional sales organisations. Yet, this type of foreign investment would have been uncontroversial also in the other Nordic countries. It goes without saying that no Norwegian or Finnish politician would have opposed Ford if the company had wanted to build a plant in Oslo or Helsinki. In Norway, Sweden and Finland, the political unease of foreign ownership had its roots in foreign acquisitions of natural resources. These resources were to some extent seen as belonging to the people or the nation itself. This was in line with the Georgist principles popular at the time. If foreigners were to control the waterfalls, forests or iron ore the resource rent might end up in the pockets of some distant capitalist instead of benefitting the Norwegian, Swedish or Finnish nation.

Denmark did not become rich because of her forests, minerals or hydropower. The country only had one hydro power station of any significant size. The control of natural resources was therefore no burning political or economic issue. It is still quite intriguing that Denmark in fact followed the same principles as her Nordic sister countries regarding hydropower. In 1918 the parliament decided that the *Gudenaa* power station in Jutland (Denmark's largest hydro power station) could not be sold to foreigners. In addition, all its employees had to be Danish citizens.[83]

Denmark did possess one important natural resource, her hugely fertile soil. Farming was the most important business sector and Danish exports were totally dominated by agricultural products.[84] Interestingly, the ownership of farmland was strictly regulated. This had a long prehistory as the Danish state had been engaged in some sort of social engineering (protecting farmers against

estate owners) since the late 18th century. In this respect the Danish state was much more interventionist than the other Nordic states. The laws regulating agricultural property were revised at several junctures in the 19th century.[85] These provisions were not at all aimed at foreigners, but they still made it difficult for non-resident investors to acquire farmland. Extensive absentee land ownership as in Ireland could thus not develop. Three important aspects of Danish farmland regulation should be noted. 1) There was a widespread notion that the farmers (i.e. the people) had some kind of moral property rights to the farmland. This was in many ways similar to popular perceptions in the other Nordic countries about the ownership to natural resources. 2) The state was engaged in social engineering even in the golden age of laissez faire. 3) Even though the parliament sought to improve the position of ordinary farmers it never trampled on the property rights of the estates (with only a minor exception in 1919). Owners of old estates living south of the 1864-border with Germany were thus allowed to keep their properties in Denmark throughout the interwar era (the border was moved north in 1864). However, only a small number of Danish estates were in foreign hands.[86]

Conclusions

This article has examined the Nordic regulations of foreign investment and ownership before 1940 and has focused on the basic research question of when and why the restrictions were introduced. It is easiest to answer the *when*-question and it also gives some clues to *why*. The process of regulating and restricting foreign ownership was well on its way before the outbreak of World War I in 1914. By 1919, a comprehensive regulatory framework was in place in all the Nordic countries. Only minor adjustments were made in the 1920s and 1930s. This is important as it implies that the restrictions were primarily caused by internal policy decisions in the Nordic countries; they were not collateral damage of the Great War or a consequence of the economic de-globalization of the interwar era. While a decreasing dependency on foreign capital certainly weakened inhibitions towards regulating foreign ownership, the change in policy in Sweden and Norway predates this. It is therefore more correct to regard the regulatory frameworks as a response to the rapidly increasing foreign direct investments from around 1900 and the rise of big international trusts and combines. The significance of the war was thus somewhat indirect. The war boom made it easier to implement new restrictions on foreign ownership as the previous dependence on foreign capital markets was strongly reduced. The introduction of restrictions on foreign ownership was deeply embedded in the economic and political modernization of the Nordic countries. National security played a role, as did the belief in the benevolent potential of state regulation, democratization, increased focus on egalitarian values (i.e. protecting farmers against landholding companies) and rising nationalism.

In all of the four Nordic countries the state had intervened to keep the most important infrastructure out of foreign hands before 1900. This was to a large extent motivated by national security concerns. This was also part of the motivation behind the more restrictive policy towards FDI after 1900. In Sweden, and especially Finland, some restrictions on foreign investments were direct reactions against a potentially hostile neighbour, Russia. Norwegian and Swedish politicians referred to how countries like Spain and more dramatically Transvaal had their sovereignty impaired because of British dominance of their mining industry. The idea that the citizens of one's own country were more likely to act according to the "national interest" was often repeated in all four countries. When possible, domestic ownership was therefore preferred.

However, national security concerns offer only a partial explanation of the Nordic policies on foreign ownership. These concerns do not explain why the regulations became so comprehensive, why the four countries developed so different regulatory regimes or why foreign ownership of

natural resources was especially frowned upon. In Finland a series of restrictions on foreign ownership were introduced after the country achieved independence in 1917. However, it does not seem that there was any causal relationship in the Norwegian case between independence (1905) and the introduction of ownership restrictions.

In Finland, Sweden and Norway the resource based industries had paramount importance for the economic development. By the early 1900s substantial parts of the resource endowments were in foreign hands. This proved highly controversial as large segments of the electorate believed that land and the resource rent was the (moral) birth right of the people of the nation state. There was also an added concern that foreign companies would, if allowed, exhaust non-renewable resources, collect the profits and then walk away without leaving any long-term benefits to the local population. The major shift in the Swedish, Norwegian and Finnish governments' policy on foreign ownership was that the states took it upon themselves to ensure that a significant part of the resource rent would come on the hands of its nationals. By contrast, the Danes had neither the same type of natural resources nor any important economic sector dominated by foreign owners.

The legislation of the various countries did vary considerably. On paper, the Norwegian legislation was undoubtedly the strictest and most comprehensive. The Swedish system set the limit for non-licensed acquisition of property at 20% foreign ownership. The Danish system was much more lenient, and had few restrictions on foreign ownership. The Finns did not introduce legislation which regulated all foreign ownership until 1939. The 1939 laws set the limit for requiring a government licence at 20%, and was in that regard comparable to the legislation in neighbouring Sweden.

A narrow focus on the legislation of foreign investments might give a false impression of the actual policy on foreign investments in the Nordic countries. Legislation on foreign investments was only one of the tools which could be used. As we have seen in the Swedish example, threats of export duties and government control of the railroads were used as tools to ensure Swedish ownership of the iron ore mines. While the Finnish laws on foreign-owned companies were less comprehensive than the Norwegian or Swedish counterparts, the Finnish government went to considerable lengths to nationalize natural resources after the First World War. The government could also decide to support, or keep from intervening in domestic boycotts of foreign owned companies, as seen in the Norwegian boycott of the British-American Tobacco Company.

The BATCO-case illustrates that state antagonism towards foreign companies was not just about the fact that they were foreign, but perhaps even more importantly that they were very big. Companies like BATCO, Unilever and IG Farben aroused suspicions in the Nordic countries because of their size and their market power. Many politicians feared that large, foreign companies could, if allowed to settle freely, challenge the sovereignty of the states. In addition, large foreign companies could also potentially wipe out domestic, smaller competitors, who often lobbied hard for the governments to take action.

Overall, these restrictions to FDI were to some degree forwarded and influenced by established economic interest groups. In Sweden, ironwork owners agitated against foreign ownership as part of a campaign to prevent the unchecked export of iron ore, which could threaten their overseas markets. The 1916 Restriction Act was in part a measure to secure domestic reserves of low phosphorous iron ore, but the export of high phosphorous ore from the large Lapland mines was allowed to continue under secure Swedish ownership. On the other hand, Swedish sawmill owners fought vigorously against restrictions on forest ownership. The Norwegian concession laws also prompted mostly lukewarm, and sometimes even hostile, reactions from the Norwegian

business community, who saw inward FDI as necessary to further industrialization. Narrow economic interest groups only offer a partial explanation to why the Nordic countries introduced ownership regulations on natural resources.

The policy on foreign investments could also be subject to change from cabinet to cabinet. The Norwegian Concession Laws and the Swedish Restriction Act were both enabling laws, were the governments at the time could set its own policy and interpretation of the law. Research into the implementation of the Norwegian concession laws suggests that the Norwegian policy on foreign ownership of hydropower changed considerably from 1906 to 1926. However, we have not been able to locate more literature which follows the implementation of such laws over a longer period of time. This makes it hard to fully assess the extent of government restrictions on foreign investments, and state intervention in the countries' economic development in general. In Norway, some of the restrictions introduced during World War I were later partially lifted in practice, as the country needed foreign investments. None of the Nordic countries would benefit from autarky. Indeed, Denmark, Sweden and Norway were all eager to re-establish a more liberal world order after the Great War.

It is also important to note that even though the Nordic countries did implement new restrictive policies towards foreign investors in the first decades of the 20th century, the new legislation did not cover properties which were already foreign-owned. The Nordic countries continued to respect private property. The governments' aim was to control and regulate future investments, not primarily to scare away existing ones. Although there was at times widespread criticism against the role of foreign capital, foreign direct investments continued to be important for the economic development of the Nordic countries in the interwar years.

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Notes on contributors

Andreas R.D. Sanders is a Ph.D. Researcher at the Department of History and Civilisation at the European University Institute. Pål T. Sandvik is professor and Espen Storli is associate professor, both at the Department of Historical Studies at the Norwegian University of Science and Technology (NTNU).

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Notes

[1] Michael D. Bordo, Alan M. Taylor, and Jeffrey G. Williamson, *Globalization in Historical Perspective*,

[2] Paul Bairoch, "European Trade Policy 1815-1914," and Stephen Castles, Hein de Haas, and Mark J. Miller, *The Age of Migration*

[3] Geoffrey Jones, *Multinationals and Global Capitalism*, pp. 203-06

[4] See for instance Pål Thonstad Sandvik and Espen Storli, "Confronting Market Power,"; "Big Business,"

[5] Jones, *Multinationals and Global Capitalism*, pp. 203-06

[6] Angus Maddison, *The World Economy*, Table 1a and 1b

[7] Jesper Strandskov and Kurt Pedersen, "FDI into Denmark," p. 639

[8] The First World War is often highlighted as a crucial turing point setting of a lasting deglobalization of the world economy. See for instance Jones, *Multinationals and Global Capitalism*; Charles Lipson, *Standing Guard*; Ronald Findlay and Kevin H. O'Rourke, *Power and Plenty: Trade, War, and the World Economy in the Second Millenium*

[9] For detailed analysis of the political economy of the late 19th Century Nordic countries, see Francis Sejersted, *Sosialdemokratiets tidsalder*, Bo Stråth, *Union og demokrati*, Niels Kayser Nielsen, *Bonde, stat og hjem* and Niels Thomsen, *Industri, stat og samfund*; *Hovedstrømninger*

[10] Carl Lund, *Det norske tollvesens historie* pp. 93-110; Bo Stråth, *1830-1920*, pp. 164-67; Thomsen, *Industri, stat og samfund*, pp. 179-80; Ingid Henriksen, Markus Lampe, and Paul Sharp, "The strange birth," pp. 770-85

[11] While there is no data on the level of inward foreign investments, the four Nordic countries had significant trada balance defecits before World War I. According to Riitta Hjerppe's data, the annual Finnish trade deficits (goods and services) amounted on average to around 6% of GDP 1890-1913. The deficits equalled around half of total investments. The Norwegian annual trade deficits amounted on average to almost 4% of GDP 1890-1913. This equalled around one sixth of estimated gross domestic capital formation. Net foreign liabilities in 1913 were calculated to be 800-850 million Norwegian kroner, i.e. one third of GNP. State and municipal loans constituted almost two thirds of net foreign liabilities whereas roughly one-third (c. 12% of GDP) was direct investment in Norwegian companies. Sweden had deficits from 1898 to 1910, averaging at about 2.5% of GDP and 21% of total investments. Lennart Schön has calculated that total foreign liabilities amounted to 2.800 million Swedish kroner in 1910, that was, as in Norway, around one third of the GDP. Even Denmark, the most affluent of the Scandinavian countries, ran trade deficits before 1914, and had net foreign liabilities of about a fifth of GDP. All the Nordic countries improved their balance of trade during the interwar era, making them less dependent on foreign capital. See: Riitta Hjerppe, *The Finnish Economy 1860-1985*, Table 3A1; Arthur Stonehill, *Foreign Ownership*, pp. 16-17; Det Statistiske Centralbyrå, *Finansstatistisk undersøkelse 1919*, p. 20; Lennart Schön and Olle Krantz, "Swedish Historical National Accounts," Table VI; Lennart Schön, "Kapitalimport, kreditmarknad," pp. 230-33, 44-45 and 68; Svend Aage Hansen, *Økonomisk vækst 1720-1914*, 1, p. 233 and 310; *Økonomisk vækst 1914-1975*, 2, p. 28 and 38
[12] Lipson, *Standing Guard*, pp. 53-54
[13] Mira Wilkins, *The History of Foreign Investment in the United States to 1914*, pp. 579-87
[14] "Oplysninger om de fremmede lande gjældende bestemmelser," ; John P. McKay, *Pioneers for Profit*, pp. 276-90
[15] See for instance: John McMaster, "The Takashima Mine: British Capital and Japanese Industrialization,"
[16] Lennart Schön, *Modern svensk ekonomisk historia*, pp. 237-39.
[17] The following paragraphs are based on Bo Jonsson, *Staten och malmfälten* and Nils Meinander, *Gränges*
[18] Sweden had a long tradition for iron export, but the advent of the Bessemer process and the low price for coal as opposed to Swedish charcoal had hurt the Swedish iron industry's competitiveness. Sweden could only cover about cover about 6, 5% of its annual consumption from domestic coal mines (1913). See Schön, *Modern svensk ekonomisk historia*, pp. 175-76 and Timo Myllyntaus and Eerik Tarnaala, "Economic Crisis in Finland and Sweden, 1914-1924," p. 44
[19] See for instance Jonsson, *Staten och malmfälten*, pp. 16, 28, 30-31, 83-85, Meinander, *Gränges*, pp. 72-73 and Stråth, *1830-1920*, p. 352
[20] Swedish National Archives, Civildepartementet, Konseljakt, 29.06.1888: Nr. 19. The company could theoretically circumvent this decision by founding a Swedish subsidiary, but this was not attempted.
[21] Jonsson, *Staten och malmfälten*, pp. 54-55
[22] *Emellan svenska staten samt Loussavaara-Kiirunavaara aktiebolag, aktiebolaget Gellivare malmfält och trafikaktiebolaget Grängesberg-Oxelösund är följande öfverenskommelse träffad.* Appendix A of *Riksdagsproposition 107*, 1907. The deal included the possibility for the state to buy the whole company after 25 years for a set price, which it eventually did in in 1957.
[23] Albert Kôersner, *Lag om vissa inskränkningar i rätten att förvärva fast egendom eller gruva eller aktier i vissa bolag given den 30 maj 1916*, p. 6
[24] Sven Nordlund, *Upptäckten av Sverige*, pp. 44-52
[25] In 1911, Wood products, pulp and paper accounted for around 42% of Swedish exports Mats Larsson, *Svensk ekonomisk historia*, p. 61.
[26] Nordlund, *Upptäckten av Sverige*, p. 49
[27] This paragraph is based on Jan Jörnmark, *Skogen, staten och kapitalisterna*, p. 54, Nordlund, *Upptäckten av Sverige*, pp. 106-14 and Sverker Sörlin, *Framtidslandet*
[28] This figure ist taken from Nordlund, *Upptäckten av Sverige*, Table XIX. Another estimate can be found in Martin Fritz, *Svensk järnmalmsexport 1883-1913*, pp. 93-97. Fritz estimates that the percentage of foreign share ownership was higher in ore exporting companies, peaking at 35% in 1904, before declining to less than 20% in 1913.
[29] Kôersner, *Lag om vissa inskränkningar i rätten att förvärva fast egendom eller gruva eller aktier i vissa bolag given den 30 maj 1916*, pp. 21-23
[30] *Lag om vissa inskränkningar*, pp. 22 Author's translation.
[31] Ibid.; Nordlund, *Upptäckten av Sverige*, p. 54
[32] Justitiedepartementet Koncept 1918, 12.04.1918: Nr. 50 and Justitiedepartementet Koncept 1919, 07.02.1919: Nr. 26, Swedish National Archives
[33] Nordlund, *Upptäckten av Sverige*, p. 121

[34] Oscar Rydbeck, "Utländsk kapitalplacering," p. 73
[35] Peter Hougen, *Lov om aktiebanker 1924*, pp. 39-41.
[36] See *Lov om Banker, 15.04.1930*. See also Per H. Hansen, "Bank regulation in Denmark," pp. 56-62
[37] Ulf af Trolle, *Om tobak i Sverige*, pp. 11-23; Johan Hellner, "Det svenska tobakmonopolets tilkomst,"
[38] Nordlund, *Upptäckten av Sverige*, p. 206
[39] Ibid., pp. 203-04.
[40] Birger Steckzén, *Bofors*, pp. 455-76; Stig A. Fransson, *Bofors 350 år*, pp. 128-30
[41] Jan Glete, *Kreugerkoncernen och krisen*, pp. 199-219; Nordlund, *Upptäckten av Sverige*, pp. 56-57
[42] Fritz Hodne, *Norges økonomiske historie 1815-1970*, p. 160, Table 6
[43] Brian R. Mitchell, *Historical Statistics: Europe*, pp. 546-47
[44] Lars Thue, *Statens kraft 1890-1947*, p. 75
[45] Olaf Amundsen, *Lov om erhvervelse 1917*
[46] Stonehill, *Foreign Ownership*, p. 36
[47] Anders Haaland, *Norsk Konkurransepolitikk 1905-1926*, p. 62
[48] Per Augdahl, *Skogkoncessionsloven*
[49] Amundsen, *Lov om erhvervelse 1917*, p. 93
[50] Stonehill, *Foreign Ownership*, pp. 41-43; Trond Bergh and Even Lange, *Foredlet virke*
[51] Andreas R. S. Dugstad, "Chasing Waterfalls," pp. 52-54
[52] Espen Storli, "Out of Norway Falls Aluminium," pp. 99-102; Dugstad, "Chasing Waterfalls," pp. 28-37
[53] Pål Thonstad Sandvik, *Multinationals, Subsidiaries*, pp. 32-33
[54] Dugstad, "Chasing Waterfalls," pp. 107-09
[55] Stonehill, *Foreign Ownership*, pp. 45-55
[56] This paragraph is based on Sandvik "Såpekrigen 1930-31," and Sandvik and Storli "Confronting Market Power,"; "Big Business,"
[57] Karl-Erik; Kuisma Michelsen, Markku, "Nationalism and Industrial Development,"
[58] Riitta Hjerppe and Jorma Ahvenainen, "Foreign enterprises," p. 288
[59] Ibid., pp. 286-87; Jari Eloranta et al., "Road to Prosperity," pp. 16-18
[60] The Norwegian interests in Tornator is described in Knut Sogner and Sverre A. Christensen, *Plankeadel*, pp. 93-95, 134-35
[61] Timo Myllyntaus, *Electrifying Finland*, pp. 61f; Victor Hoving, *Enso-Gutzeit*, 1, pp. 166-72
[62] *Enso-Gutzeit*, 1, pp. 167-69
[63] Hjerppe and Ahvenainen, "Foreign enterprises," pp. 289-90
[64] Riitta Hjerppe, "Svenska företag i Finland," p. 328
[65] Hjerppe and Ahvenainen, "Foreign enterprises," p. 290
[66] Markku Kuisma, *A History of Outokumpu*, pp. 3-45
[67] Jari Eloranta and Nummela Ilkka, "Finnish nickel," pp. 328-31
[68] Hjerppe and Ahvenainen, "Foreign enterprises," pp. 291-92
[69] Riitta Hjerppe, "Significance of FDI," p. 12, Table 3
[70] Jukka Luukkanen, "How to deal..." pp. 1-4; Hjerppe and Ahvenainen, "Foreign enterprises," p. 290
[71] Per Boje, *Danmark og multinationale virksomheder*
[72] "FDI into Denmark,"
[73] Hans Kryger Larsen, "Det nationale synspunkt,"
[74] See Arbejdsudvalget, "Handel og Udlændinges Adgang," pp. 51-67 and Fritz Hodne, *God handel*, pp.100-01, 80-81
[75] Ole Feldbæk, Anne Løkke, and Steen Leth Jeppesen, *Drømmen om tryghed*, pp. 253-54 The Danish restrictions only encompassed life insurance, there was free competition in non-life insurance until 1930.
[76] Mikael Lönnborg, "Skandiakoncernens internationella verksamhet," pp. 239-43 and Mats Larsson and Mikael Lönnborg, "Insurance Companies in Sweden," pp.205-06
[77] Lov om Banker, 15.04.1930. See also Hansen, "Bank regulation in Denmark," pp. 56-62
[78] Thomsen, *Industri, stat og samfund*, p. 208. The Danish quote is "vildt uenig".
[79] P. Herschend, *Lov om Aktieselskaber 1917*. When the law was revised in 1930 restrictions on foreign ownership were somewhat expanded and included banking and shipping. See H. B. Krenchel and Estrid Jacobsen, *Haandbog i dansk aktieret*
[80] Kristof Glamann, *75-foreningen*
[81] Thomsen, *Industri, stat og samfund*
[82] Boje, *Danmark og multinationale virksomheder*, pp. 76-79, 106 and 40-46
[83] *Lov om Udnyttelse af Vandkraften i Gudenaa, 20.03.1918.*

[84] Jan Pedersen, *Danmarks økonomiske historie*, p. 117, 57; Susanna Fellman et al., *Creating Nordic Capitalism*, p.263

[85] For a detailed exposition on Danish regulations of agricultural property, see Hans Jensen, *Dansk Jordpolitik*

[86] When Denmark lost the war against the German Federation in 1864 the border was moved north. As a result a number of Danish citizens became German citizens. Some of these people owned estates north of the border. Their ownership rights were protected by peace treaty of Vienna. German ownership of Danish estates continued until 1945. This encompassed however a minimal share of Danish farmland. See Boje, *Danmark og multinationale virksomheder*, pp. 80-84