### The Economics of Neutrality: Re-evaluating Swedish Trade in the Second World War

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#### Introduction

- What defined the economic relations between Sweden and the three main belligerents: Germany, the United States and the United Kingdom during the Second World War?
- Politically Sweden appeared to be a neutral subservient to Germany. It was behind the German blockade and access to the Allies was limited.
- But my work shows Sweden was far from economically submissive or obedient.
- Due to ‘monopoly goods’ such as ball bearings, Sweden retains its independence. It is economically important to both the Allies and Axis.

#### Could Sweden Have Stopped the Second World War? Ball Bearings

- Ball bearings allow for frictionless movement between two parts. Crucial for engines, including boats and aircraft.
- The Swedish company SKF maintained a wartime monopoly on certain aspects of ball bearing production in Europe, including machinery for subsidiaries, machine tools and high speed steel.
- Metric sizes used in existing supply chains prevented substitution from outside Europe.

#### Germany

- SKF (Sweden) exported to Germany and owned local production facilities through subsidiary (VFK).
- Together these controlled about 60% of German ball bearings.
- VFK production not affected by Allied bombing campaigns.

#### Allies

- SKF (Sweden) exported to United Kingdom, USA and USSR.
- Exports to UK and USSR were conducted via secret airborne traffic; Sweden supplies 31% of UK ball bearings despite being behind the German blockade.
- At one point 1,700 British planes (10% of 1942 production) were awaiting ball bearings from Sweden.

#### New Trade Figures - German Bloc

- Current literature sees Sweden as victim of German exploitation. Quite the opposite is true.
- This study provides new statistics for German-Swedish trade.
- On a nominal basis, this work confirms Sweden was trading at more than the 1938 levels allowed by its agreements.

#### New Trade Figures - Allies and Neutrals (through Blockade)

- Smuggled exports to UK/US increased four-fold from 1942 to 1944.
- Sweden violated ‘traditional’ neutrality by allowing Allies to base blockade running ships and airplanes in Sweden.
- When combined with political and diplomatic records, this study shows how important blockade running was for obtaining much needed Allied and neutral imports.