

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?

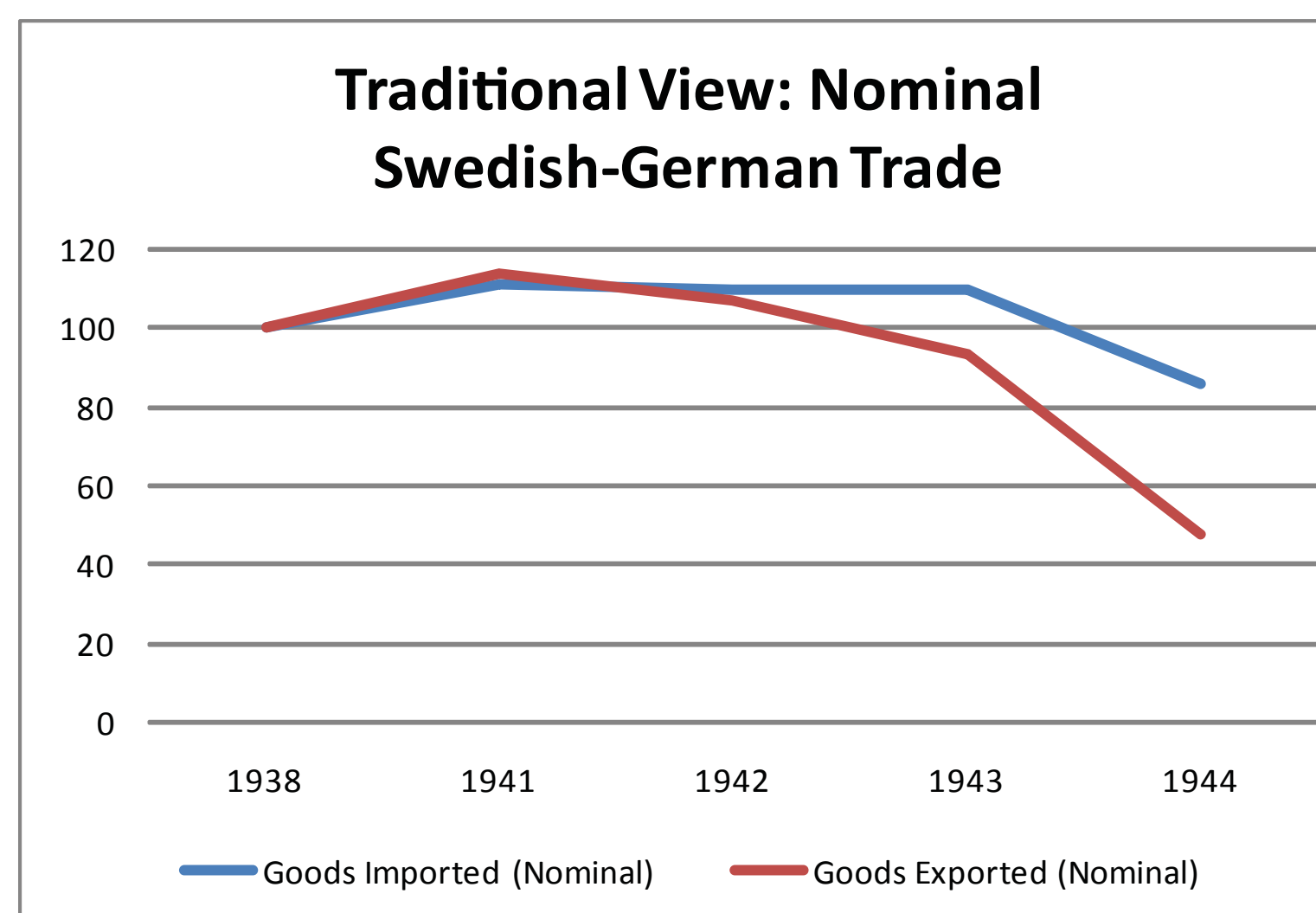
-Politically Sweden appeared to be a neutral subservient to Germany. It was behind the German blockade and access to the Allies was limited.

-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.



New Trade Figures - German Bloc



-Current literature sees Sweden as victim of German exploitation. Quite the opposite is true.

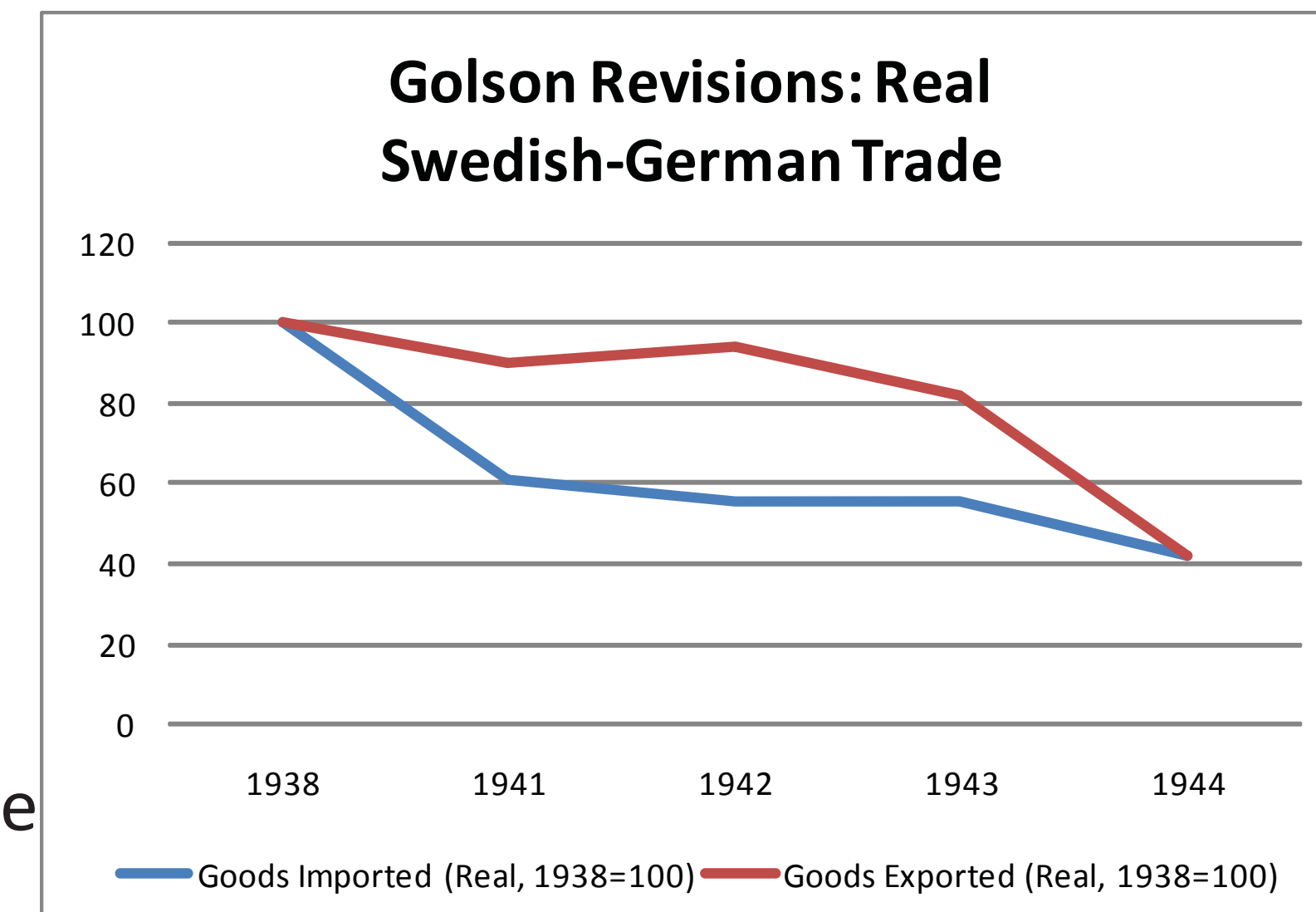
-This study provides new statistics for German-Swedish trade.

-On a nominal basis, this work confirms Sweden was trading at more than the 1938 levels allowed by its agreements

-But new statistics using real prices show overall real trade figures did not exceed 1938 levels.

-Trade volumes in metric tons were below 1938 levels.

-Indicates Germany did not dominate Sweden by extracting significantly more resources.



Could Sweden Have Stopped the Second World War?

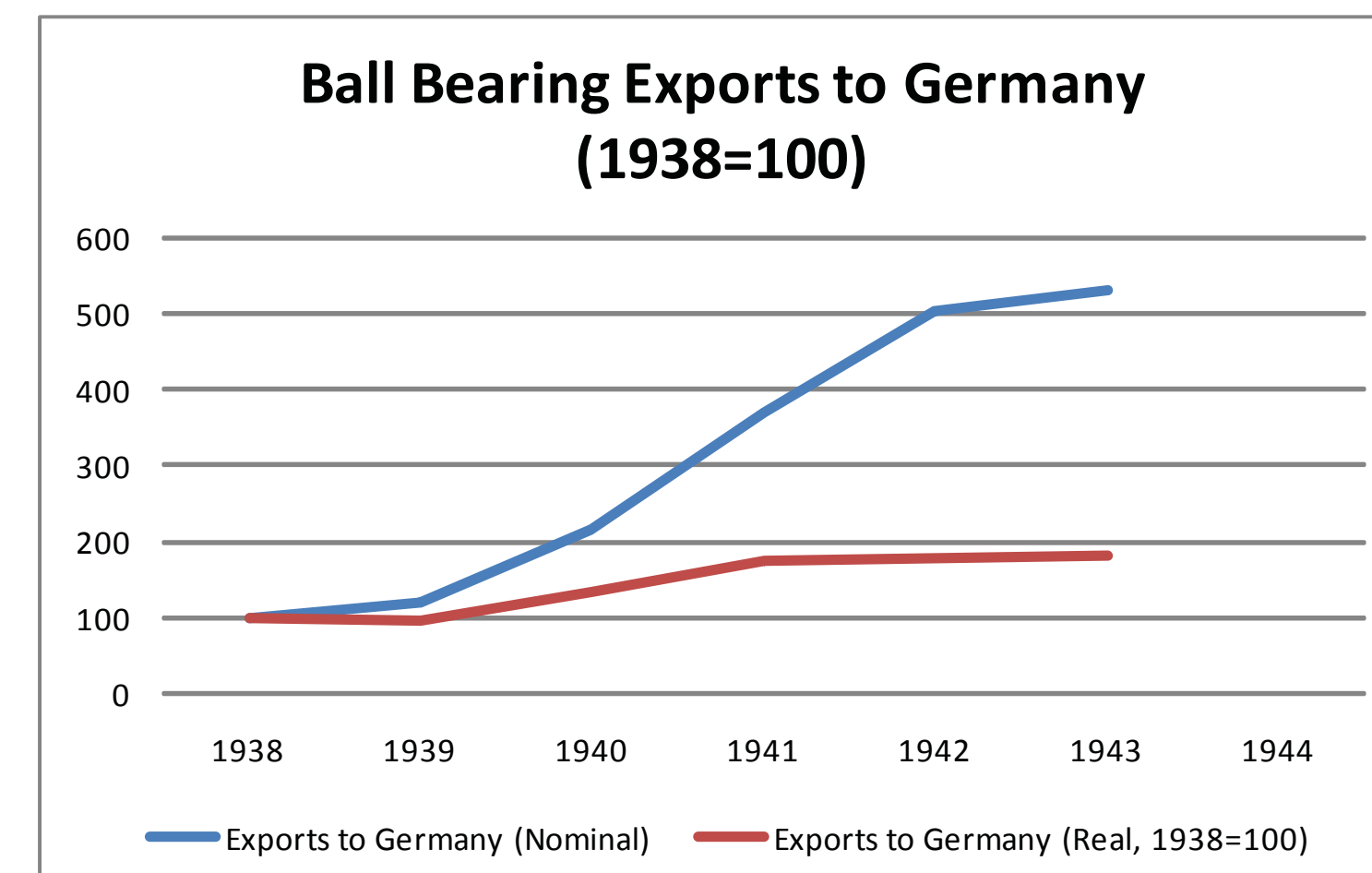
Ball Bearings

-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.



-However, exports of specific critical war materials increased dramatically in violation of agreements.

-Sweden controlled these goods and charged increased prices at the expense of the Germans.

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.

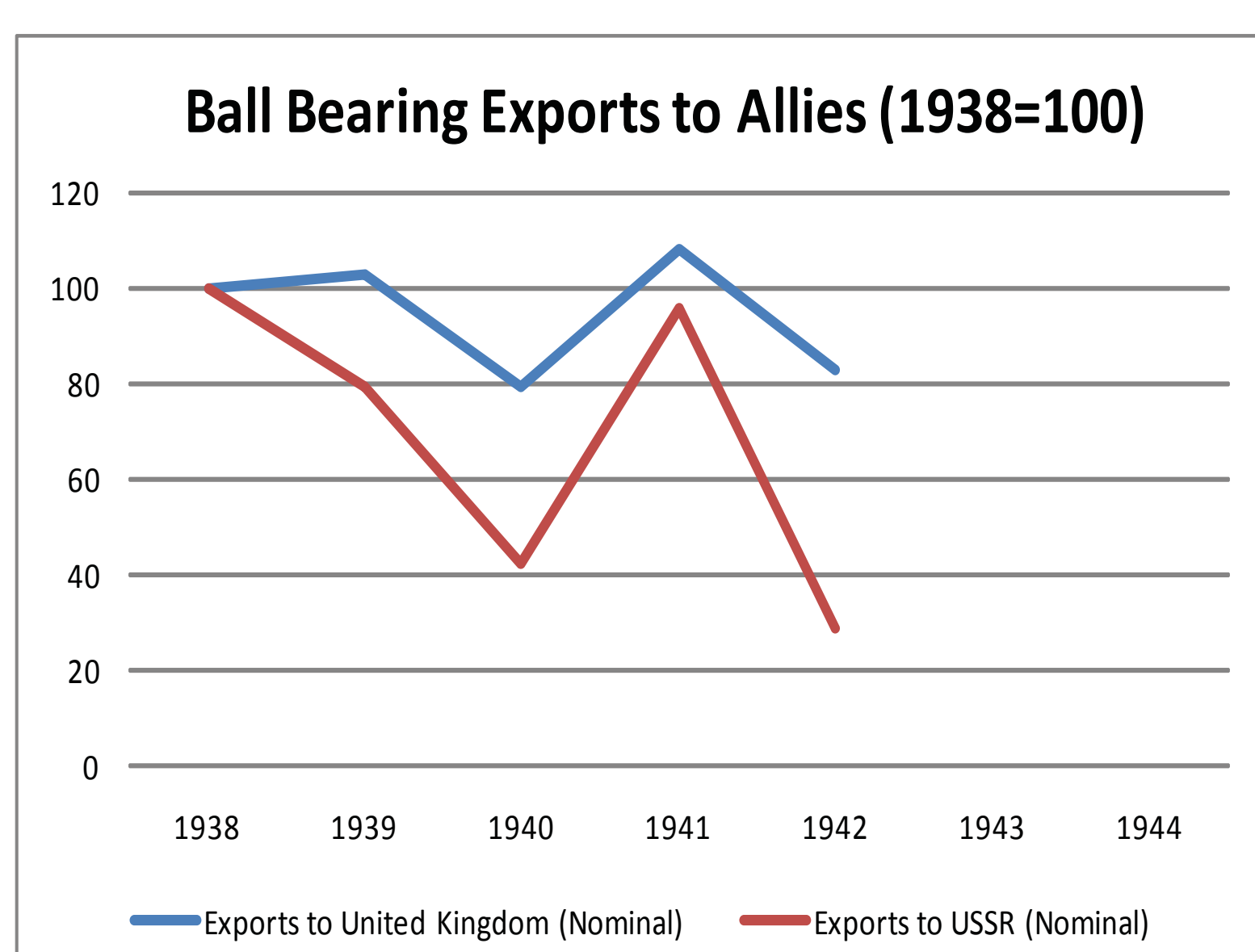
Year	Swedish Related German Production				
	Total German Production + Imports	VFK Production in Germany	SKF Exports to Germany	Total Swedish Related Production	Swedish Production as a % of Total German Production
1938	168.6	92	3.9	95.9	56%
1939	193.0	104	4.7	108.7	56%
1940	213.3	113	8.4	121.4	57%
1941	242.5	128	14.4	142.4	58%
1942	284.2	148	19.5	167.5	58%
1943	-	149	27.1	176.1	-

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.

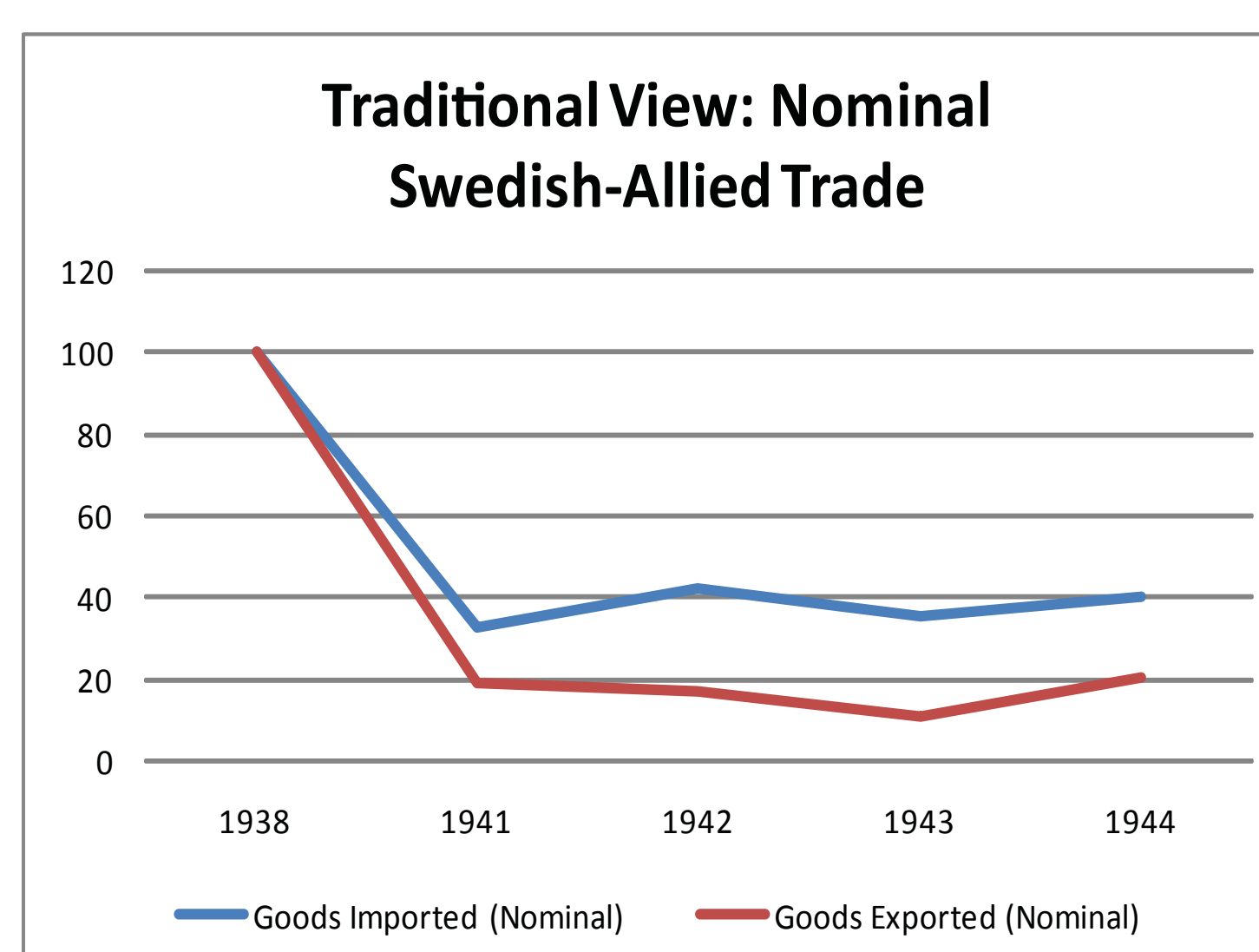
-At one point 1,700 British planes (10% of 1942 production) were awaiting ball bearings from Sweden.



New Trade Figures - Allies and Neutrals (through Blockade)

Traffic thru blockade (with smuggling activities as blockade running and roundtrip flights):

	1938	1941	1942	1943	1944	May 1945
Authorized Vessels	-	32	58	46	77	13
Blockade Running Ships to UK	-	5	7	13	14	-
Roundtrip Flights to/from UK (bypass Skaggerak blockade)	-	0	174	320	727	369



-Current authors do not properly account for legitimate trade through the blockade, let alone smuggling.

-This is the first study to provide Allied-Swedish trade statistics in both nominal and real form, including smuggling.

-Shows a decline in both real and nominal trade from 1939 levels.

-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.

