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Economic Adaptations of Neutral Nations during International Conflicts: Political Strategies during WWI and WWII

Ellie Leung

Cardinal Carter Catholic High School, 210 Bloomington Rd, Aurora, ON L4G 0P9, Canada; itsellie.leung@gmail.com
Mentor: Dr. Ceyhun Elgin

ABSTRACT: In a world rife with geopolitical tensions and military confrontations, neutral nations act as enigmatic players in international conflict. These neutral nations skillfully balance their sovereignty and economic stability while avoiding getting involved in hostility. By studying historical case studies and empirical data, we examine various economic adaptations and political strategies of four neutral nations during international conflicts. We compared available and pre-existing data on non-belligerent countries during WWI and WWII. The results offer insights for policymakers and researchers about how political decisions and economic actions contribute to a country's ability to remain neutral amidst global uncertainties. By delving into the complexities of several political adjustments and diplomatic maneuvers, we aim to offer a thorough understanding of the inherent obstacles and prospects encountered by neutral nations on a broader scale.
KEYWORDS: Behavioral and Social Sciences; Other with War; History; Economics; International Conflict; Neutrality.

Introduction

Throughout history, international conflicts have been reshaping the global landscape, economically and geographically. Amidst the tempestuous currents of geopolitical rivalries, some nations have opted for a path less trodden-that of neutrality. These neutral nations strive to maintain them while navigating the treacherous waters of international conflict without directly participating in military hostilities.

Evolving significantly over centuries, "neutrality" is a heterogeneous concept. In any context, it does not have a definite meaning, including objectivity, detachment, hypocrisy, or fairness.[1] In this case, the essence of neutrality is avoiding involvement in others' wars.[2] The motivations can range from geographic isolation and cultural affinity to desiring to preserve national independence and pragmatic considerations. Nevertheless, pursuing neutrality during wartime often carries implications for these nations regarding their economies and political standing. Some argue that neutrality offers a plausible explanation for a few of the neutral nations' competitive advantages.[3] This statement is especially true when these nations achieve profitability during international conflict. However, professionals and politicians still debate whether non-belligerents are completely neutral amidst conflicts. Other modern-day ideas like sovereignty or international obligations, the effectiveness of neutrality, and neutrality in the age of alliances and multilateralism are all arguments that stemmed from historical examples. An example would be Spain's allied neutrality. The famous article "Neutralidades que matan" ("Neutralities that kill") was published on August 19, 1914. It argues that Spain ought to join the war in cooperation with the Allied forces, aligning with its Mediterranean national interests and fostering amicable ties with France and Great Britain.[4] Another example is Sweden's benevolent neutrality towards Germany. Apparently, in spite of fear, the Foreign Minister of Sweden, Knut Agathon Wallenberg, assured the German government that Sweden's neutrality would be "benevolent" concerning Germany.[5]

Although neutral nations are considered mainly "non-belligerent," their economic strategies and political adaptations prove their heavy involvement in the global economy. Their decisions demonstrated history-making impacts during times of international conflict. For instance, by maintaining or expanding their trade, non-belligerent countries may have reduced the overall costs of war for all parties.[6] Therefore, neutral nations are the key to safeguarding international diplomacy and maintaining a stable global economy.

This paper delves into the political strategies and economic adaptations neutral nations employed when confronted with World War I and II. We present an analysis of the similarities of those strategies and identify the inherent challenges and opportunities. The findings will provide valuable insights for policymakers and researchers interested in understanding how political decisions and economic measures bolster a nation's neutrality during global turmoil. By analyzing economic adaptations and political strategies, we aim to provide a comprehensive grasp of the inherent challenges and opportunities faced by neutral nations. The knowledge gained is expected to contribute to the apprehension of how these nations tactically manage international conflict through political astuteness and economic prudence.

Primarily through secondary data analysis, we analyze and compare the economic adaptations of four neutral nations: Spain, Switzerland, Sweden, and the Netherlands.[7] These four nations have been specially chosen because we would like to start small by comparing European countries amongst the select few neutral nations. This way, the differences and similarities of economic adaptations can be identified without the burden of significant cultural differences. The strategies we

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explore encompass miscellaneous measures, including trade policies, financial safeguards, diplomatic initiatives, and investment strategies. By examining specific case studies of the selected neutral nations, we delve into how these nations capitalize on their neutrality to protect critical sectors from the impact of international conflicts.

We primarily provide a section for background knowledge of WWI and WWII. Then, we divided this paper into three main sections. First, we analyzed the policies of four neutral nations during WWI and WWII, examining data from previous case studies. Second, we compared and distinguished the similarities and differences between these policies. Third, we identify the trials and tribulations that neutral nations may face in times of global turmoil, listing examples of how they dealt with these obstacles. Lastly, in the conclusion, we summarized the information listed above.

Discussion

Background:

The Great War, commonly known as World War I, commenced in 1914 following the assassination of Archduke Franz Ferdinand of Austria. This event triggered a widespread conflict across Europe and persisted until 1918.[8] The conflict unfolded between two factions, namely the Allies and the Central Powers, with battles spanning Europe, the Middle East, Africa, the Pacific, and various regions of Asia. Most nations aligned with the Allies, which included Serbia, Russia, France, Britain, Italy, and the United States. They faced opposition from the Central Powers, composed of Germany, Austria-Hungary, Bulgaria, and the Ottoman Empire.[9] In the initial years of the 1900s, diplomatic tensions among the major European powers heightened progressively. This tension culminated on June 28, 1914, when Gavrilo Princip, a Bosnian Serb, assassinated Archduke Franz Ferdinand, who was the successor to the Austro-Hungarian throne. Austria-Hungary attributed blame to Serbia and officially declared war on July 28. Russia intervened to support Serbia, leading to a chain reaction where Germany, France, and Britain became entangled in the conflict by August 4. Subsequently, the Ottoman Empire joined the war in November of the same year. Warring nations used trench warfare, technological advancements, and chemical weapons. It resulted in significant political and territorial changes, including the collapse of empires and redrawing national boundaries. Figure 1 shows the Central Powers during WWI. **(Figure 1).**

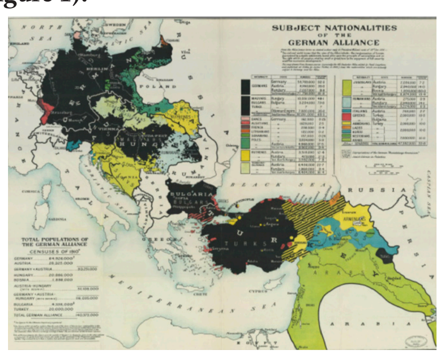

Figure 1: Size and share of the foreign-born population in the US, 1850-2021.[3] Except for the period 1929-1970, the immigrant share of the population has varied between 10% and 15%.

World War II, the most extensive and deadliest conflict in human history, encompassed over 50 nations and was waged across land, sea, and skies in nearly every corner of the globe. Also referred to as the Second World War, its origins were intertwined with the economic turmoil of the Great Depression and the lingering political tensions stemming from the aftermath of World War I two decades later. The rise of totalitarian regimes, such as Nazi Germany under Adolf Hitler and Fascist Italy under Benito Mussolini, played a significant role in the outbreak of the war. The conflict involved the Axis Powers against the Allied Powers. World War II was marked by widespread atrocities, including the Holocaust, and the systematic genocide of millions of Jews and other minority groups. The conflict was initiated by Nazi Germany's invasion of Poland in 1939 and endured until 1945, culminating in Japan's surrender to the United States after the deployment of atomic bombs in Hiroshima and Nagasaki. As the war concluded, an estimated 60 to 80 million lives were lost, including as many as 55 million civilians, leaving numerous cities in Europe and Asia in ruins. Figure 2 shows the Axis, Allied and Neutral countries in 1941, near the end of WWII.[11] **(Figure 2)**

Figure 2: Axis, Allied and Neutral Blocs at June 1941 (Source: Golson, E. B., 2011: The Economics of Neutrality: Spain, Sweden and Switzerland in the Second World War.)[12]

Axis Nations included the German Reich, the Italian Empire, Bulgaria, Finland, Hungary, and Romania. Axis-Occupied included Belgium, Denmark, France, Greece, the Netherlands, Norway, and Yugoslavia. Allied Nations included Great Britain, the Soviet Union, and their respective empires. Lastly, Neutral Nations included Ireland, Spain, Sweden, Switzerland, and Turkey.[12]

Policies of the Four Neutral Nations: Spain, Sweden, Switzerland, and the Netherlands:

WWI and WWII are non-erasable marks written in history, destroying lives, economies and global relationships. Many believe WWII was even more destructive economically than the previous war.[13] Fewer countries remained non-belligerent. This section delves into the policies of four neutral nations: Spain, Sweden, Switzerland, and the Netherlands during WWI and WWII.

Policies of Spain:

As King Alfonso XIII of Spain explained in 1917, "Each of us in his sphere must do his duty for the well-being and honour of Spain." With this duty in mind, the Spanish gov

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ernment declared Spain's neutrality in both world wars to minimize the nation's loss. Especially after the Spanish Civil War (Guerra Civil Española) from 1936 to 1939, causing the death of approximately 500,000 people.[14]

The state's official bulletin published a royal decree stating Spain's strict neutrality on August 7, 1914.[15] Spain's economic strategies during these periods were cautious and pragmatic. In the context of World War I, Spain capitalized on its neutral position by adopting policies to diversify its export markets and seize opportunities to expand its trade relationships. Additionally, the Spanish government implemented policies such as "Plan Cambó," an initiative that increased domestic production to meet wartime demands. Under the leadership of Francesc Cambó, a Catalan politician and businessman,[16] the Spanish government leveraged its neutral status to exploit economic opportunities presented by the war, particularly in terms of trade with Germany, where Spain extracted several valuable goods despite the disruption of traditional trade routes.[12] These economic strategies and Spain's well-anchored geopolitical orbit led to a short-term economic upswing, as industries such as textiles, steel, iron, and coal mining experienced increased production and exports.[15] This was due to the "Plan de Fomento Industrial" (Industrial Development Plan,[17] which capitalized on the high demand for goods and raw materials caused by the war. Apart from bolstering the Spanish economy, it also allowed Spain to fill the gap left by other nations' reduced production capacities. However, challenges like inflation, scarcity of resources, and occasional diplomatic pressure from belligerent nations seeking support, tempered this economic boost. Furthermore, Spain was also cognizant of the risks associated with overreliance on wartime trade. This realization led the government to implement the "Policy of Strict Neutrality" to ensure adherence to international trade regulations and avoid antagonizing belligerent nations. As noted by Manuel Azaña in 1917, the government did not willingly embrace the policy, as it was considered a stance compelled by circumstances.[18] Simultaneously, Spain pursued its version of "Política de buena vecindad" (Policy of the Good Neighbor), often referred to as "Franco's Foreign Policy," which originated in the United States and multiple Latin American countries. Aiming to maintain friendly relations with all belligerents while avoiding direct involvement in the conflict.[19]

As World War II unfolded, Spain opted for an unstable and uncertain decision under General Francisco Franco, neutrality and non-belligerency.[20] The country's recovery from the economic turmoil of the Spanish Civil War intersected with the global trade disruption and scarcity of resources caused by World War II.[21] Spain pursued a policy of self-sufficiency to reduce its dependence on external sources of essential goods and vulnerability to pressure from the belligerents. The country under Francisco Franco's regime focused on achieving economic independence through the "Autarky" policy.[22] The policy reduced dependence on imported goods by promoting domestic industries, encouraging agricultural production, and implementing import-substitution strategies. The "Instituto Nacional de Industria" (INI, National Institute of Industry) was established to guide industrial development and social control.[23] The Spanish government implemented tariff barriers and import restrictions to protect local industries and conserve foreign exchange reserves. Additionally, Spain sought to establish trade relationships through Barter Agreements with other non-belligerent nations, such as Argentina, Portugal, and Latin American countries, securing vital imports and maintaining some economic activity. An example of these endeavors was incorporating Portuguese goods into the Anglo-Spanish clearing agreement inked on March 18, 1940. The currency was stabilized and maintained through the "Stabilization Plan," further enhancing Spain's economic resilience. Afterwards, the government launched the "National Development Plan" to guide economic recovery and modernization efforts, focusing on infrastructure, energy, and agriculture sectors. With the help of the United States and other countries, Spain escaped international suffocation and avoided bankruptcy.[24]

Policies of Sweden:

In the context of World War I, Sweden retained armed neutrality and continued to trade with both the Entente Powers and the Central Powers.[25] The nation's economic policies were cautious and opportunistic. The disruption of traditional trade routes prompted Sweden to diversify its export markets and explore new trading partners. Sweden's government adopted the "Assured Market Policy," which aimed to secure stable markets for Swedish goods by entering long-term agreements with importing countries. For example, during the war, Sweden signed a 10-year trade agreement with Germany, guaranteeing iron ore supply in exchange for essential goods, such as coal and food. Germany's demand for high-grade iron ore was approximately four million tons in 1915 alone.[26] The nation expanded its exports of iron ore, timber, steel, and other commodities, capitalizing on the demand created by the war.[27] This strategic move, combined with measures such as subsidized loans to domestic industries, led to a surge in production and boosted Sweden's economic growth, positioning the country as a vital supplier for belligerent nations. However, Sweden's economic policymakers were keenly aware of the risks associated with overreliance on wartime trade, which could potentially draw the country into conflict. To mitigate this risk, Sweden adopted policies that maintained neutrality through strict adherence to trade regulations and diplomatic measures. The government pursued policies to ensure self-sufficiency and stabilize the domestic market, such as rationing food, implementing government subsidies, stockpiling food, encouraging local production to counter inflation, and the Allied blockade of.[28] Additionally, the government established trade agreements with the Allied and Axis powers, allowing Sweden to continue trading without aligning itself politically with either side. This strategy assisted Sweden in navigating global conflict without being directly involved and minimized the risks associated with overreliance on wartime trade.

Similarly, in World War II, Sweden's economic policies displayed a similar level of pragmatism and independence after declaring neutrality in September 1939.[29] The country continued its emphasis on diversifying trade partners, even as war increasingly dominated the global economic landscape. The "Planhushållning" policy (Planned Economy) aimed to regu

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late the allocation of resources and ensure efficient production for both civilian and military needs. Goods were transported from Sweden to the United Kingdom through various blockade-running operations, including Operation Rubble in January 1941, Operation Performance in March 1942, and Operation Bridford from October 1943 to March 1944.[30] Simultaneously, the Swedish government implemented policies to ensure self-sufficiency in pivotal sectors as access to traditional sources of imports became uncertain due to wartime disruptions. They implemented import substitution measures, emphasizing the production of imported goods, thus minimizing dependence on external sources. Sweden's "Export Control System" and the "Blocked Goods Committee" initiative managed trade with both the Axis and Allied powers, meticulously screening exports to prevent any potential breach of neutrality. Also, the "Gullmarsplan Agreement" with Germany obligated Sweden to provide iron ore in exchange for industrial machinery, further safeguarding its interests. These policies guided economic activities, encouraged infrastructure investments, and supported research and development, which bolstered domestic industries and technological advancement. Sweden reaped the rewards of maintaining continual trade surpluses in goods with all belligerents, exclusively directed towards Germany.[12]

Policies of Switzerland:

Switzerland's economic policies were resourceful, diverse and adaptable. During World War I, Switzerland's strategic economic policies revolved around seizing the chance to supply goods to belligerent nations while strictly adhering to the "Ständige Neutralität" (Continuous Neutrality) policy. The country leveraged its well-developed financial infrastructure to facilitate trade by implementing the Provisions Trade, which allowed the exchange of food and other essential goods with belligerent nations in exchange for gold, ensuring the nation's economic sustenance. The government capitalized on traditional trade route disruption with policies such as the Agricultural Credit Act, which facilitated loans to farmers, and the Food Office, which managed imports and ensured a stable food supply.[31] Due to its central location, neutral stance, and relatively minimal damage, Switzerland's banking industry experienced growth during the war. Swiss banks became repositories for the assets of belligerent nations, thereby ensuring a vital source of income for the country.[32] Simultaneously, Switzerland expanded its production and export of goods, such as precision machinery, textiles, and chemicals, in high demand. This strategy allowed the Swiss economy to flourish during a period marked by global economic disruption. Furthermore, Clearing Agreements with belligerent nations, such as Germany, enabled Switzerland to maintain positive relationships and ensure a flow of goods in exchange for Swiss machinery while circumventing direct involvement in the conflict.[33]

In the context of World War II, Switzerland once again harnessed its economic prowess with the "Economic Self-Sufficiency" policy to navigate international turmoil. The nation's geographic position and established financial system made it an attractive hub for diplomatic and financial activities involving belligerent parties. Switzerland's banking sector played a pivotal role through discreet financial services, facilitated by policies such as the "Gold Franc" and the "Edelmetallkontrolle" (precious metal control).[34] Switzerland was a safe haven for Nazi Germany and the Allies, who used Swiss banks to store and transfer funds. Additionally, Switzerland's neutrality allowed it to mediate between warring nations, hosting peace negotiations and facilitating prisoner exchanges.[35] The role of an arbiter maintained the stability of the Swiss currency and bolstered investor confidence, attracting both funds and assets from warring parties. The country's banking secrecy laws and stable currency facilitated the influx of funds and assets from nations seeking a haven. In 1937, the government established the war economy cell. Households were encouraged to maintain a two-month supply of food and other necessities. Therefore, citizens generally had sufficient savings.[36] The nation implemented policies to ensure self-sufficiency in essential goods and resources, including food and energy, to counteract the impact of wartime trade disruptions. For example, the "Economic Protection Act" fostered domestic industries and reduced reliance on imports. The government applied a comprehensive "Controlled Economy" strategy, allowing them to intently manage imports, exports, and currency to maintain stability. The "War Economy" approach focused on self-sufficiency in vital sectors, and the nation's "Blocked Account System" allowed for controlled trading with belligerents. Additionally, Switzerland's well-regulated financial precinct and reputation for stability attracted foreign capital, allowing the nation to bolster its reserves and investments. The Swiss government engaged in diplomatic efforts to secure its status as a neutral party, even as it traded with the Axis and the Allied powers.

Policies of the Netherlands:

The Netherlands' economic policies centred around domestic initiatives, diplomatic efforts, and exploiting its financial infrastructure. During World War I, the Netherlands faced economic difficulties posed by trade disruptions and blockades imposed by warring nations. At the outset, employment levels remained modest but surged in 1916. The Director-General of Labor-Inspection reported a significant industrial boom during that period. Manufacturing experienced unparalleled prosperity, with investments in industrial enterprises reaching levels that none have seen in many years.[37] The Dutch government implemented measures to mitigate the impact on its economy, including promoting domestic industries, encouraging agricultural production, and seeking alternative trading partners outside war zones. A notable policy was the "Economic Mobilization Act," which aimed at rapidly shifting industries to support war efforts while maintaining neutrality.[38] Domestic-wise, the "Agricultural Modernization Plan" boosted agricultural productivity, ensuring a stable food supply, even as traditional trading partners faced shortages. The Netherlands' well-established financial sector allowed it to serve as a conduit for financial transactions and a safe haven for foreign capital through policies such as the "Rotterdam-Hague Exchange." This financial facilitation initiative aimed to provide a platform for various countries involved in the war to conduct financial transactions and maintain trade relationships through Dutch intermediary banks, particularly in the cities of Rotterdam and the Hague. Furthermore, the nation's Koninklijke Nederlandse Stoomboot-Maatschappij (KNSM) (Royal Netherlands Steamship Company) allowed the Netherlands to supply goods through a neutral shipping route, benefiting from trade with both factions without engaging in direct hostilities.[39] The nation's "Dutch East Indies Strategy" aimed at boosting its colonial trade, while the "Netherlands Overseas Trust Company" facilitated financial transactions with belligerent nations.[40] Additionally, Dutch authorities established the "Central Purchasing Office" to coordinate imports and maintain domestic stability through rationing and price controls.[41]

During World War II, the Netherlands was initially neutral, but its occupation by Nazi Germany in 1940 significantly altered its economic landscape. Therefore, the Netherlands during this period will not be taken into consideration.

Similarities and differences between these policies:

Within the context of neutral nations during both wars, the commonalities and distinctions of their policies are evident. Spain, Sweden, Switzerland, and the Netherlands, each adopting their distinct routes of neutrality, offer a rich context to analyze how countries navigate the intricacies of global conflicts. This segment explores the interplay between shared principles and varying strategies that characterize these policies. It highlights the shared elements linking these nations alongside the factors that differentiate them.

Similarities between these policies:

First is territorial defence and sovereignty. All neutral nations shared a strong commitment to defending their territories and safeguarding their sovereignty. They understood the importance of maintaining a non-belligerent status to avoid being directly involved or affected by conflicts. This status allowed them to maintain some independence in foreign policy decisions and reduce the risk of economic disruption caused by war.

Second is humanitarian efforts and mediation. Another similarity was their involvement in humanitarian efforts and acting as mediators for diplomatic negotiations. All four neutral nations prioritized diplomatic efforts to preserve their neutrality. They actively negotiated with both sides of the conflict, aiming to ensure respect for their sovereignty and territories. These nations provided neutral grounds for hosting talks, facilitating prisoner exchanges, and offering aid to affected regions. They also assisted civilians caught in the crossfire, including refugees and prisoners of war, regardless of their nationality.

Third is economic preservation. All four neutral nations recognized the importance of maintaining economic stability and trade relationships. Their similar approaches aimed to safeguard national interest through protectionist measures while exploiting opportunities presented by wartime demands. They sought to minimize disruptions to their economies by trading with warring parties and diversifying economic activities. A common strategy was broadening exports by providing goods and services to the Allies and the Axis powers to safeguard their economic interests. For example, Spain expanded its agricultural sector to export food products and minerals needed by belligerent countries, especially other European nations.[42] Switzerland focused on exporting precision machinery and pharmaceuticals with the help of its well-developed industrial base. This decision allowed them to acquire the necessary resources and alleviate the impact of global conflict on their industries and populations. Another approach taken was increasing tariffs or imposing trade barriers. For example, Sweden extended tariffs on imports to shield its domestic industries from foreign competition. The Netherlands also imposed higher customs duties on imported goods to stimulate local production. These policies aimed to protect domestic industries from disruption caused by the conflict. Commonalities to national policing included price controls on essential goods to ensure affordability for citizens.

Differences between these policies:

Geographical location and pre-war economic structure played a role in shaping the neutrality policies of these nations.[43] Spain, situated on the Iberian Peninsula, had its neutrality policies heavily influenced by internal political dynamics. During WWI, Spain's neutrality was fragile due to internal divisions and leaned towards the Central Powers. In WWII, despite its affinity for the Axis powers, Spain adopted an official policy of neutrality due to its isolation and internal strife. Sweden, located in Northern Europe, pursued a policy of non-alignment. In WWI, the nation maintained trade relations with both sides, taking advantage of economic opportunities. During WWII, Sweden focused on armed neutrality and continued trade with Axis and Allied forces. While Switzerland, being landlocked and surrounded by mountains in the heart of Europe, maintained strict neutrality and avoided direct military confrontations. On the other hand, a network of rivers, canals, and waterways crisscrossed the Netherlands. It facilitated transportation and trade. However, the Netherlands' geographic location places it between major European powers, which had implications for its neutrality and susceptibility to invasion. In WWI & II, the country's proximity to Germany made it susceptible to German military actions and strategies.

The policy directions of each nation differed substantially. During both conflicts, economic struggles and isolation challenged Spain's neutrality. Internal challenges posed by the Spanish Civil War hindered Spain's ability to benefit from the economic opportunities offered by its neutrality. However, they also took advantage of increased demand for raw materials such as iron ore and tungsten from war-torn nations. On the other hand, Sweden emphasized expanding its industrial capacity, focusing on self-sufficiency. It managed to sustain its economy by exporting vital resources during both wars, encouraging domestic production across various sectors, including agriculture, mining, and manufacturing. Switzerland's banking secrecy and its role as a financial haven contributed to its economic success during both wars. Its financial services played a crucial role in maintaining economic stability, maintaining neutrality amidst increasing international tensions. The Swiss government capitalized on its financial sectors to

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shipping made it vulnerable to disruptions. Germany's invasion during World War II left severe economic consequences for the Netherlands, leading to resource scarcity and an economic decline. The government attempted to adopt a more balanced approach. The economic policies implemented by these neutral nations during both wars had notable impacts on their respective economies. Firstly, inflation rates were generally low relative to belligerent countries due to controlled fiscal measures. Employment levels remained stable or even increased in a few sectors that experienced growth because of war-related demands. Industrial production also showed resilience in these neutral nations due to their ability to adapt and exploit new opportunities created by wartime conditions. For instance, Sweden's manufacturing sector saw substantial growth during both wars due to the government's focus on domestic production.

In conclusion, the neutral nations of Spain, Sweden, Switzerland, and the Netherlands shared the common goal of avoiding direct involvement in the world wars. However, their policies and experiences varied immensely based on their geopolitical situations, economic ties, humanitarian efforts, and internal political dynamics. These differences shaped their roles during the conflicts and their relationships with the warring parties and the international community. While these nations collectively pursued neutrality to protect their economies and avoid direct entanglements, they displayed variations in their approaches. Some commonalities emerged, such as the emphasis on maintaining trade relations with both sides and diplomatic engagement to safeguard their interests. However, differences also surfaced, extending from geographical proximity, historical context, and internal pressures.

Trials and tribulations neutral nations may face challenges in times of global turmoil:

Neutral nations faced several economic challenges during WWI due to global turmoil. The disruption caused by the war led to increased uncertainty, inflationary pressures, supply chain disruptions, and reduced access to essential goods and resources. Neutral countries implemented various economic policies to navigate these challenges. For instance, the "National Development Plan" was initiated by the Spanish government to direct endeavours for economic resurgence and advancement, with a particular emphasis on enhancing the infrastructure, energy, and agriculture domains. In this section, we discuss the trials and tribulations neutral nations may face during international conflicts, referencing case studies from WWI and WWII.

Neutral nations are not immune to the economic impacts of global conflicts. The unfortunate situation in the Netherlands is an apparent example. The Netherlands declared neutrality during both World Wars. However, in 1940, Germany invaded the nation during World War II, leading to economic devastation. The Dutch economy suffered from German occupation, resource exploitation, and forced labour.[44] While they may avoid the direct destruction and devastation experienced by belligerent nations, they still face significant challenges. One of the primary difficulties lies in balancing the need to protect their interests while avoiding involvement in international conflicts. This balance requires neutral nations to manage their relationships with other countries, ensuring they do not appear to align with any particular side. Moreover, refugees and displaced persons from conflict zones migrating can strain resources and pressure social welfare systems. Pursuing economic stability becomes arduous due to economic fluctuations, trade disruptions, and currency devaluations happening elsewhere, affecting their economies.

Another significant challenge for neutral nations is the pressure from both belligerent parties in a conflict. Belligerents did not always respect neutrality, and the warring powers would occasionally violate the sovereignty of neutral countries in pursuit of their wartime objectives. These nations often find themselves subject to diplomatic constraint as both sides attempt to sway their allegiance and demand military cooperation, strategic concessions, and intelligence sharing. This coercion can create a precarious situation since warring factions, who may perceive these countries as potential allies of their adversaries, often see neutrality as a threat. An example from WWI and WWII would be Switzerland. Despite its long-standing tradition of neutrality, Switzerland faced immense pressure from the Allied and Axis powers. They had to navigate economic challenges, such as trade restrictions and shortages while dealing with political pressure to align with one side. Switzerland managed to maintain its independence but had to make compromises, such as allowing transit rights and financial transactions for both sides. [45]

Furthermore, neutral nations may also experience financial instability during global conflicts. The uncertainty and volatility in the international markets can lead to capital flight and a loss of investor confidence. This instability can cause a ripple effect on the domestic financial sector, making it difficult for neutral nations to access essential funds for development projects and infrastructure improvements. The economic strains caused by global conflicts can be long-lasting and require innovative solutions to mitigate their impact. Most importantly, neutral nations must contend with the financial consequences of their international trade routes and commerce disruption, which increases the risk of a decline in economic growth and stability.[13] During conflicts, belligerent parties often impose trade restrictions and embargoes, which can severely hamper a neutral nation's ability to engage in international trade. For example, during World War I, the British blockade of Germany disrupted trade routes and access to vital resources, also affecting neutral countries like the Netherlands. Their policies can result in a decline in exports, a loss of foreign direct investment, and a contraction of the domestic economy. The heavy reliance on international trade also exposes them to the adverse effects of global conflicts, blockades, sanctions, and supply chain disruptions that hinder the smooth transaction of goods. One of the most influential aspects of war is geographical location. Warring forces may surround neutral nations physically, presenting economic and political challenges. Sweden, situated between Germany and the Soviet Union, faced the challenge of balancing its trade relations with both warring factions during WWI and WWII. The country maintained its neutrality while striving to sustain its economy through trade. Sweden's exports of iron ore and other vital resources were crucial for the war efforts of both sides, making it a delicate diplomatic balancing act. However, this reliance on trade made Sweden vulnerable to political pressure from the Allies and Axis powers.[46] As for Spain, the Spanish government implemented measures to maintain economic isolation, limiting trade and imposing strict controls on imports and exports. Spain faced internal challenges, including a civil war (1936-1939), political instability, and economic hardships exacerbated by the global conflicts.[47]

The experiences of neutral nations tell us that political considerations play a crucial role in navigating economic trials and tribulations during global turmoil. First and foremost is the need for strong and stable governance. Neutral nations must have robust political institutions that can weather the storms of international pressure and maintain a united front in the face of diplomatic coercion. Effective leadership and political engagement are crucial in navigating internal divisions, building global alliances, and shaping the post-conflict landscape. A clear and coherent foreign policy framework is essential to guide decision-making and ensure consistent adherence to neutrality principles, for instance, in the case of Sweden. While the country did experience some economic challenges due to trade disruptions, Sweden managed to adapt and innovate, focusing on domestic industries and technological advancements. By investing in education and research, Sweden was able to transform its economy and become a global leader in sectors such as telecommunications and engineering. A further pivotal point is fostering international goodwill and building diplomatic relationships. Neutral nations often prioritize diversifying their economies and trade relations to reduce vulnerability to global conflicts. By cultivating a diverse range of industries and fostering economic ties with multiple partners, countries can mitigate the impact of trade disruptions and pursue alternative avenues for growth. By building a reputation as a trusted mediator and reliable partner, neutral nations can ensure a lasting and prosperous future. Engaging in multilateral forums and actively participating in diplomatic efforts can help neutral nations establish their role as valuable contributors to global stability. These countries can also position themselves as key players in resolving conflicts and promoting economic prosperity by participating in dialogue and cooperation. Last is being consistent on a long-term vision and committing to principles. Neutral nations must invest in their defence, prioritize diplomacy, and diversify their economies to withstand economic shocks.

■ Conclusion

The exploration of economic adaptations undertaken by neutral nations during times of international conflict reveals a compelling narrative of political strategies at play. We examine the policies of four neutral nations, such as Spain, Sweden, Switzerland, and the Netherlands, during "an age of catastrophe".[48] These nations, while avoiding direct involvement in conflicts, deftly maneuvered to safeguard their economies, sovereignty, and ethical standing on the global stage. While often labelled as "non-belligerent," neutral nations engage in the international economy through economic tactics and political adjustments. Their choices wield substantial influence during periods of global turbulence, underscoring their vital role in upholding international trade and diplomacy and ultimately contributing to preserving a relatively stable global economic environment.

Throughout this research paper, we explore the economic adaptations of four neutral nations. Spain, Sweden, Switzerland, and the Netherlands used strategies such as diversifying trade, leveraging financial infrastructure, and promoting domestic industries to maintain stability and balance their commitment to neutrality. Then, we analyze the similarities and differences between these policies. The four neutral nations shared the goal of staying neutral in the world wars, but their approaches differed due to geopolitical, economic, and internal political factors. While they all emphasized trade and diplomacy, variations arose from geographical proximity and historical context, shaping their roles and relationships during the conflicts. Lastly, we point out the trials and tribulations of neutral nations during global turmoil. These nations faced economic challenges, including trade disruptions, diplomatic pressure from belligerents, and financial instability. Despite avoiding direct destruction, they grappled with maintaining self-interest without aligning with conflict parties and had to navigate diplomatic balancing acts to safeguard their economies and independence.

We suggest investigating individual ethnicities and their correlation to global affairs for future studies as an extension of this paper. Since all chosen countries are of European descent, we also encourage a more diverse analysis. Cross-country analysis of current global relations and economics may unravel those unknowns. Studying past cast studies is also useful when identifying international ties and cultural backgrounds.

In summary, the economic adaptations of neutral nations offer a profound understanding of the art of maintaining equilibrium in times of turmoil. Politicians may better understand historical precedents, identify patterns, enhance conflict resolution efforts and address humanitarian challenges. The neutral nations present a valuable lens through which to view the dynamic interplay of economics, diplomacy, and political strategies during international conflicts. This insight is especially critical since wars have seriously impeded economic growth.[49] The lessons drawn from their strategies resonate beyond the historical context, providing valuable insights into the ever-evolving landscape of international relations. The lessons gleaned from the experiences of neutral nations are invaluable, especially as the world continues to grapple with conflicts and uncertainties.

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Author

Ellie Leung is a freshman at Cardinal Carter High School who has been passionate about the humanities from a young age. She aims to pursue international law and diplomacy at university after completing the International Baccalaureate Program.

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