

DOCUMENT NO. 20  
NO CHANGE IN CLASS.   
 DECLASSIFIED  
CLASS. CHANGED TO: TS S C  
NEXT REVIEW DATE: \_\_\_\_\_  
AUTH: HR 70-2  
DATE: 121 APR 1980 REVIEWER: 018645

~~SECRET~~

CENTRAL INTELLIGENCE AGENCY  
OFFICE OF NATIONAL ESTIMATES

17 October 1958

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Soviet Pressure on Finland

1. The formation in late August of the Fagerholm government in Finland, the most conservative and nationalist in coloration of any since 1945, has evidently created considerable distress in Moscow. Judging from Soviet broadcasts and the Finnish Communist press, the Soviet leadership believes that the new government, because of its political complexion, might attempt to lead Finland into closer relations with the West. In particular, the USSR may be concerned over Finland's application for substantial loans from western sources to be used for modernization of the economy and over Finnish consideration of membership in the OEEC.

2. In addition to critical press comment, the USSR has expressed its annoyance at the situation in Finland by recalling its ambassador without observation of the usual amenities. It has also stalled on talks to arrange for future trade and on the

~~SECRET~~

~~SECRET~~

implementation of other economic matters worked out with the previous Finnish government. The Finnish government, with its eye on current loan negotiations with the West, tends to magnify the extent of Soviet pressure.

3. The Finnish economy could be severely disrupted by Soviet economic pressure, since approximately 30 per cent of Finnish foreign trade is conducted with the Bloc. The economy is already in difficulty: nearly 30,000 persons are out of work and by next March the figure may reach 100,000, out of a labor force 2 million strong. This unemployment is a reflection of the fact that the competitive position of Finnish products in Western markets has deteriorated. If the USSR chose to break off economic relations with Finland it could greatly aggravate the present difficult situation.

4. It is possible that the USSR is now prepared to apply heavy pressure on Finland in an effort to reduce its ties with the West and to bring it closer to the Soviet orbit. Such an objective would be consistent with the tougher line which Moscow has been taking in the European satellites, and with the greater confidence and aggressiveness which the Soviet leadership has recently displayed.

5. However, the Soviet leadership must be well aware how stubborn and determined the Finns can be once they are aroused. Moscow

~~SECRET~~

probably believes that the Fagerholm government would not hesitate, in case economic sanctions were applied, to seek direct assistance from the West. Furthermore, a Soviet-Finnish quarrel of serious proportions would adversely affect Soviet prestige among neutralist and uncommitted peoples.

6. Thus, we expect a continuation for some time of the present level of harassment. By these means the USSR will hope to deter the Finns from any drift toward closer association with Western Europe.

7. If the Fagerholm government should collapse because of the unsatisfactory economic situation and Soviet harassment, Finland would face a serious parliamentary crisis. The Communists have the largest single bloc of deputies in the parliament and have made much capital of the worsening economic situation. It would be difficult to form a new government without the participation of the Communists.

FOR THE BOARD OF NATIONAL ESTIMATES:



SHERMAN KENT  
Assistant Director  
National Estimates