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INTELLUFAX 21

COUNTRY: Finland

DATE: 10 June 1953

SUBJECT: Deteriorating Economic Situation/ Foreign Exchange Restrictions

PLACE ACQUIRED: (By Source)

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Supplement to:

DATE ACQUIRED: (By Source)

Responsive to:

DATE OF INFO: End Apr 53

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1. While the political picture seems to be stable and has not undergone any changes worthwhile mentioning during the last few years, the economic situation of this country has followed a downward tendency which seems to have aggravated during the last ten months. Strangely enough this tendency has started with the end of the reparation payments to Russia, when the industries specially created for that purpose had to slow down production or stop it entirely. The Finnish Government tried to overcome the increasing menace of unemployment by large investments for public welfare (schools, hospitals, roadbuilding etc.) but it has only partially succeeded. All Finnish products for exports are far too high priced and not competitive due, [redacted] to exaggerated wages for labor.
2. Last year's heavy devaluation was designed to overcome the price difficulties, but its effects have not lasted longer than a few months. At present the Government is planning drastic steps to master the situation and there are rumors of an imposed price-cut of about 20%. However, the socialists refuse to cut the wages at the same time. There is also some talk about a new devaluation, although the last one was not an encouraging experiment.
3. At the Bank of Finland [redacted] no foreign currencies whatever are available at present, with the only exception of Russian Rubles. If we could use them as payment, the Bank would have no objection to the granting of import licenses for our products. They would be compelled to oppose applications in any other currency. This situation can of course change any time, but for the moment hopes in this direction seem rather remote.
4. On the other hand the Bank of Finland has created some time ago an export dollar account, from which dollars are available for essential imports at a premium of about 30%. If we thought we could use them for imports of our tools, the Bank would not raise any objection, but it was up to the licensing authorities to decide whether tools could be imported for such dollars or not. These dollars are created through exports at a substantial loss 20 to 40 % according to necessity) to the dollar zone. The Bank pays the loss on such exports and sells these dollars at cost for imports.

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5. [REDACTED]
- He explained that the Finnish factories produced now sufficient tools of the most current types for the needs of this market and that the present economic situation in Finland does not permit them to issue any licenses in any currency for any country for such tools. For the purchase of special tools, not produced here, there is a modest amount reserved in both the Swedish and British trade agreements with Finland and any needs have to be covered from these sources. An occasional exception is made for precision tools from Switzerland or Germany through compensation deals.

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