

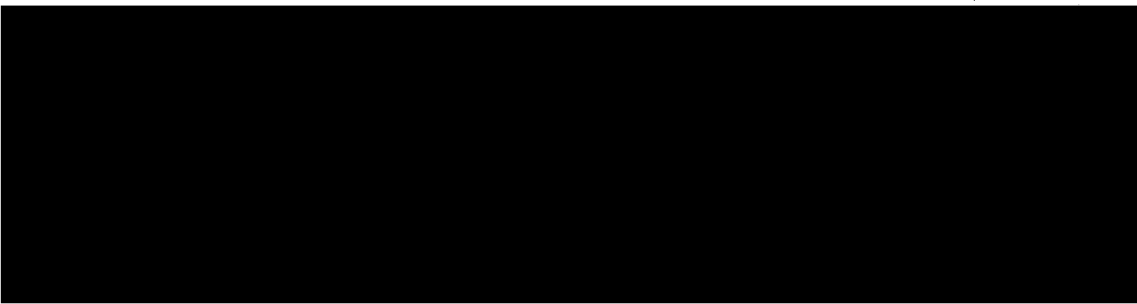
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COUNTRY Finland
SUBJECT Serious Lack of Foreign Exchange/Inability to Purchase DATE _____
Western Tobacco/Cigarette Sales
PLACE ACQUIRED (BY SOURCE) [REDACTED] Supplement to:
DATE ACQUIRED (BY SOURCE) [REDACTED] 25X1A6a Responsive to:
DATE (OF INFO) Apr 53

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1. The economic situation in Finland has declined definitely since my last visit one year ago, and I got the impression everywhere that business was at a standstill. For one thing, hotel accommodations, which have always been at a premium there, were obtained this year without difficulty on only 24-hours' notice. Also the shops and restaurants seemed to be doing only very modest business. The cause of this, I believe, is that Finland has lost her foreign markets for her standard export items such as wood pulp, and the output of her new industries created to supply reparations to the USSR have not been able to compete in world markets. In Finland wages are higher than elsewhere in Europe, especially Scandinavia, which causes the country's exports to demand prices higher than those asked by competing nations. Consequently, Finland is short of foreign exchange of any kind, and the result of the whole situation will be that Finnish economy will of necessity become more and more closely tied to the USSR. Furthermore, in its efforts to meet the obligations imposed by the Soviets, the Finnish government was forced to neglect such public works as highways and railroads. The former are in poor condition, and the rolling stock of the latter is deplorable. In attempting to rectify this situation the government is utilizing all its available resources, which is a contributory factor to the scarcity of money for imports from abroad.
2. An officer in the Finlands Bank remarked to me that Finland was searching the world over for new markets, especially in the Far East, and was hopeful of doing some exporting to Indonesia. In this quest, however, Finland will encounter the same difficulties that its exporters have met with in Europe, namely, the fact that they cannot compete in prices with countries having lower wage scales. It is possible that prices of such typical commodities as wood pulp may be reduced sufficiently to enable them to form an entering wedge in new areas. I inquired whether having the Olympic Games at Helsinki in 1952 had been of any help to Finland's economy, but was told that in the matter of giving the country an appreciable amount of foreign exchange they had been a flop.

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3. This untoward situation is particularly evident in the tobacco industry. In recent years, Finnish smokers have shown an increasing preference for US-type cigarettes, and although the manufacturers have had to purchase large amounts of soft currency flue-cured tobaccos, such as Rhodesian and Indian, we have sold them an average of 300 thousand pounds annually. This year our sales will fall below 200 thousand. The only money available is blocked Finn marks which can be secured for new exports to old markets, or for established export items to new markets. Finland has always purchased large amounts of Soviet tobacco, which is made up into Soviet-type cigarettes, smoked generally by the rural population. Now the manufacturers will be obliged to import larger amounts of Soviet and satellite tobaccos and the urban population which much prefers US-type blended cigarettes will have to be satisfied by the inferior black commodity smoked by the peasants.
4. Amer-Tapakka Company, the only wholly Finnish-owned tobacco firm, which a year ago inaugurated a US-type cigarette, has been doing fairly well in the sales of this brand. Blended cigarettes form only 15 per cent of the total cigarette sales in Finland, but of this amount Amer-Tapakka has 70 per cent of the market. The other four cigarette manufacturers, largely Greek, Swedish and UK-controlled, are becoming somewhat disturbed over the increasing sales of this new firm and its popular cigarette.

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