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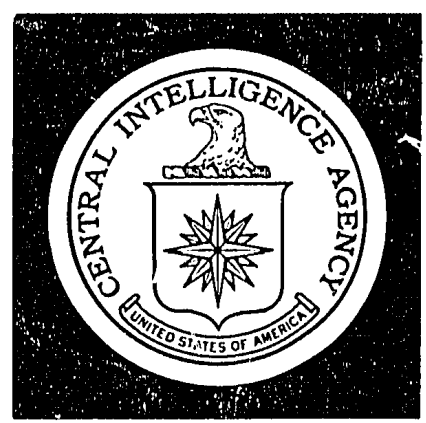
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DIRECTORATE OF
INTELLIGENCE

Intelligence Memorandum

*Finland Reaffirms its Basic Domestic
and Foreign Policies*

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10 August 1970
No. 0533/70



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CENTRAL INTELLIGENCE AGENCY
Directorate of Intelligence

10 August 1970

INTELLIGENCE MEMORANDUM

Finland Reaffirms Its Basic Domestic
and Foreign Policies

Introduction

The past several months have been active and significant ones for Finland. National elections in March produced a sharp shift to the right in voter sentiment and a rebuff to the coalition of center and leftist parties that had dominated Finnish politics since 1966. Nevertheless, after four months of wrangling, another center-left coalition has been installed in Helsinki, though this time with a Center Party man instead of a Social Democrat as prime minister. Establishment of a majority government cleared the way for important diplomatic activity involving visits by President Kekkonen to Moscow and Washington. During the USSR trip, an agreement was signed extending the 1948 Finnish-Soviet Friendship Treaty for another 20 years. Some judgments about these developments are found in paragraphs 23-27.

Note: This memorandum was produced solely by CIA. It was prepared by the Office of Current Intelligence and coordinated with the Office of National Estimates.

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Background

1. In the national election held last March the opposition Conservative and Rural Parties made major gains, while all five coalition parties suffered losses.* The heaviest setbacks were suffered by the Center Party and the Communist-dominated People's Democratic League (SKDL), both of which fell below 20 percent of the vote for the first time since World War II. The losses of the Social Democrats were more moderate, and they remained the largest single element in the parliament.

2. The dramatic gain by the radical right Rural Party from only one to 18 seats--the greatest support ever garnered by a far-right group in Finland--signaled a surprisingly strong upsurge of protest sentiment among rural elements and so-called "forgotten men" who have not shared in the country's general rise in prosperity.

3. The center-left coalition has dominated Finnish politics since 1966, with one reshuffle in 1968. In the 1966 elections the Social Democrats made major gains while the Communists and left Socialists lost ground. Soviet leaders manifested their uneasiness over signs of instability in Finnish politics and made known their desire to see Communists included in the cabinet. President Kekkonen also wished to end the years of isolation of both the Social Democrats and the Communists from active involvement in the government. Therefore, a center-left government emerged in which the Social Democrats were given six portfolios, the Communist-dominated People's Democrats, three, and the left Socialists, one. The Communists' portfolios, however, were relatively minor, and their influence was carefully contained.

4. Although the center-left government was regarded as reasonably successful by many people,

*(See Annex A)

it did not overcome all of Finland's economic difficulties, and there was some popular dissatisfaction with the inclusion of Communists. Communist party fortunes did not prosper from inclusion in the government. A revolt of conservative ("Stalinist") elements against the party's moderate majority severely weakened the party, for a time producing an open split in party ranks. At Moscow's strong urging, the liberals managed to paper over their differences with the conservatives before the March elections, but internal divisions and antagonisms remain. The new Soviet Ambassador, Aleksey Belyakov, has long been a supporter of the moderate reform-minded majority. Moscow's clear preference, however, reflected in financial support, has gone to the conservative faction.

The New Government

5. The election results in March seemed to point to the formation of a right-center or right-Socialist government. Half-hearted attempts by the leader of the conservative National Coalition Party to put together a coalition excluding the Communists foundered, and initial efforts to re-establish the center-left arrangement were further stymied by the excessive demands put forward by the parties. By mid-May, two months after the elections, Kekkonen sought to impose a temporary solution by naming a non-partisan government headed by Helsinki Mayor Teuvo Aura. It was anticipated that this stop-gap arrangement would serve until after the summer parliamentary recess when another attempt to form a majority government would be made.

6. In early June, however, Kekkonen suddenly called on the parties to make a fresh try at forming a center-left government, and as an added prod, he raised the prospect of new elections unless a majority government could be formed. Kekkonen's intervention was apparently partly motivated by his desire to have a fully functioning government in power before he visited Moscow and Washington later in July. But the circumstances and timing of his intervention also suggest that he was under

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pressure from the USSR to re-establish a center-left arrangement that Moscow favored. This action serves as a fresh reminder of the USSR's self-appointed role as judge of the acceptability of Finnish governments.

7. Still, it was not an easy task to bring the parties around. Both the Communists and Centrists were reluctant to participate again in a coalition that, they believed, had cost them heavily in popular support. The Communists, however, decided to enter government negotiations once Moscow's preferences were made known. Though the Center Party dragged its heels a while longer, it too eventually reversed itself rather than face the prospect of new elections in which it might suffer additional losses.

8. The new government, formally installed on 15 July, differs very little from the coalition in power prior to the election. The chief changes are that the new prime minister, Ahti Karjalainen, is from the Center rather than the Social Democratic Party, and that the distribution of ministries has been arranged to give the non-Socialist ministers a majority of one. Of the total 17 portfolios, the Center Party and the Social Democratic Party each hold five, the Communist-dominated People's Democratic League three, and the Liberal Party and Swedish People's Party two each.

9. The Soviet dislike for the Conservative and Rural parties--the big gainers in the election--was a factor in their exclusion from the last stages of the negotiations for a new government. The leader of the Rural Party, Veikko Vennamo, probably is reasonably content with this outcome. He stands a better chance of maintaining his popular support by remaining in the opposition, where he is free to attack the government at will. Indeed, both opposition parties will be in an excellent position to exploit fully differences over domestic economic policy that are likely to arise as a result of the division of responsibilities between the Socialist and non-Socialist parties.

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10. In addition to attesting again to the strong hand of Moscow in Finnish domestic affairs, the coalition maneuverings confirm the continuing commanding role of Kekkonen. This stems not only from the inherent powers of his office, but also from the strong personality and will power that he brings to bear in the exercise of his duties. He appears increasingly to regard himself as the indispensable man, and as he has grown older, he has become more dogmatic and impatient with those who disagree with him. His impatience extends to the Finnish people, whom he recently chided for complicating the political situation by giving such a large vote to the right-wing parties.

Policies and Problems

11. The new government is likely to adhere to the lines set by earlier center-left governments. Prime Minister Karjalainen, who was foreign minister from 1964 until last May, will maintain Finland's well-established policy of neutrality and close relations with the USSR. There is some concern, however, that Foreign Minister Leskinen--a pro-Soviet Social Democrat--will, in his eagerness to curry favor with the Soviets, be inclined to value good relations with Moscow more highly than strict neutrality.

12. The government is expected to hold to the traditional Finnish position of non-recognition of divided states, ignoring persistent pressure from the left for recognizing North Vietnam and East Germany. In July a representative of the Vietnamese National Liberation Front was permitted to open a "private" information office in Helsinki.

13. The domestic program of the new government includes increased aid to medium-sized and small industries and special attention to retraining Finnish workers so that emigration to Sweden will not be so tempting. The net loss of some 19,000 workers to Sweden during the first five months of this year has aggravated a shortage of labor. Other proposed

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measures deal with environmental pollution and development assistance to the poorer northern and eastern areas of Finland, the traditional voter strongholds of the Center Party. There are also promises to increase benefits to war veterans, to include dental care under the national health insurance system, and to reform universities.

14. It is expected that Karjalainen will run into difficulty, however, when he tries to hold his coalition together. In the frenetic efforts to piece a government together before Kekkonen's trip to Moscow, the prime minister was forced to concentrate on dividing up ministerial posts and failed to obtain full commitment of the coalition partners to his basic program. Although one Center Party minister is calling the program "the best since 1954," a Social Democratic minister has already publicly criticized the program as "ill-defined."

Foreign Relations Problems

15. Most Finns agree that the preservation of their political independence requires them to remain on good terms with their overwhelmingly powerful neighbor, the USSR. Since he became president in 1956 Kekkonen has consistently believed that in order to have good relations with Moscow, there had to be basic, personal trust and confidence between himself and the top Soviet leaders, whoever they might be. This in turn, he has insisted, was best ensured by frequent direct contacts with the Soviet leaders. During his most recent trip to the USSR last month the 1948 Soviet-Finnish Treaty of Friendship, Cooperation, and Mutual Assistance was renewed for another 20 years or until 1990. The treaty had already been extended once previously, in 1955, also for a 20-year period.

16. The reasons for the treaty's early renewal--five years prior to its expiration--are not entirely clear, but the evidence indicates that the Finns acted at Soviet behest. Foreign Minister Leskinen stated publicly on 15 July that the initiative on renewal had been taken by Party Chief Brezhnev during

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a visit by Kekkonen to Moscow last February. Soviet leaders apparently view the treaty as the essential foundation for their especially close relationship with Finland and wanted to waste no time in extending it, but these factors alone do not adequately explain their haste. Perhaps they wanted to get the matter resolved before the accommodating Kekkonen was removed from the scene by death or retirement. Also, Kekkonen perhaps reflected Soviet as well as Finnish sentiments when he observed that the extension was important as an example of the implementation of peaceful coexistence between countries of different political, economic, and social systems.

17. Another explanation is that the Soviets took the initiative at this time because they wanted to put their relations with their neighboring states in order prior to the conclusion of a Soviet - West German agreement or the convening of a Conference on European Security. The first extension of the Soviet-Finnish treaty in 1955, was directly linked to the closing of the Soviet base at Porkkala near Helsinki. Finland's gains this time are not obvious. Nevertheless, an official spokesman and the press have proclaimed Kekkonen's visit a great success, even intimating that the initiative for renewal came from Finland. Kekkonen himself said on 20 July that renewal occurred at this time because of Finland's desire to "stabilize the situation" by removing its foreign policy from any speculation. Of course, once Soviet interest in early renewal was manifest, Kekkonen undoubtedly resolved to make the best of the situation.

18. Publicly, the Finns are proclaiming that the treaty renewal provided significant new confirmation of the country's policy of neutrality. It appears, however, that they fell short of their aim of obtaining explicit recognition of their neutrality in the treaty preamble. Instead, the Finns had to settle for a joint communiqué stating that Finland's policy of neutrality contributes in a valuable way to international peace.

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19. It is also possible that the Finns decided not to press too hard for a formal revision of the original treaty lest Moscow be provided with an opening to propose changes not desired by Helsinki. For example, the Finns and the Soviets are in open disagreement over the interpretation of the treaty's consultation provisions. In Helsinki's view, the initiative for consultation in the event of a threat of aggression belongs to them and not to the Soviets, as contended by Moscow. Perhaps rather than risk coming under pressure to accept the Soviet view, the Finns decided to let well enough alone by not tampering with the document.

20. An endorsement in the communiqué of Finnish initiatives on behalf of a conference on European security--which the Finns have offered to host--was another small gain for them. The Finnish press has speculated that new initiatives on arrangements relating to European security issues may be forthcoming from Finland beyond the soundings taken by Finnish Ambassador Enckell on the attitudes of various governments. Finnish endeavors in this field stem from a sincere desire to promote detente and to attain an influence in international relations larger than Finland's size might warrant. The initiative taken by the Finns at the United Nations to establish periodic meetings of the Security Council at the foreign ministers level and its successful campaign to get acceptance of Helsinki as one of the sites for SALT are examples of Finland's enterprise. Furthermore, activity of this kind is certain to please the Soviets and thus helps to deflect their interest in other matters, such as recognition of North Vietnam and East Germany.

21. The most crucial question in Finnish-Soviet relations in the months and possibly years ahead is that of Finland's future commercial relations with Western Europe, and especially with the European Communities (EC). The Finns admit that they touched on this question during Kekkonen's visit, but have not commented publicly on any possible understanding.

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Throughout 1969 and into 1970 Moscow allowed the Finns to commit themselves to full participation in the proposed Nordic Economic Union (NORDEC), and then virtually on the eve of signature, forced them to withdraw. Thus, although an indication of Soviet acquiescence would surely encourage the Finns, they undoubtedly are well aware of the need to proceed cautiously, especially in view of Moscow's unflagging hostility to the EC. [REDACTED]

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[REDACTED] they are determined to avoid a repetition of the on-again, off-again experience with NORDEC.

Conclusions

23. The establishment of another center-left government and the agreement extending the Finnish-Soviet Friendship Treaty for another 20 years signal a reaffirmation and stabilization of Finland's basic policies at home and abroad. At home, this means continuation of a government made up of moderate bourgeois and socialist parties and the exclusion of the conservative and radical right elements. Abroad, it means maintenance of the country's neutrality, modified by a need to take into account the interests of the USSR.

24. Internally, the prospects for Karjalainen's government are not particularly bright.

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There is likely to be considerable friction over various aspects of economic policy, especially over proposals for increased state participation in the economy at a time when there is increasing worry about inflation. There is bound to be at least some latent public resentment toward what is regarded as a "government of losers and second-string politicians." On the other hand, the absence of any ready alternative--demonstrated by the long crisis this spring--favors governmental stability.

25. Finland's future commercial relations with the EC is the issue holding the greatest potential trouble with Moscow. In view of the extreme importance to Finland of maintaining access to Western markets,* there is no question that the Finns will do their utmost to overcome Soviet opposition. Despite the Soviet disapproval of NORDEC, the Finns believe they have a good chance of concluding an agreement with the EC that is acceptable to the USSR. They stress that their goal is limited to arranging a commercial agreement and not formal "associate membership" or any kind of political relationship. They also point out that they were, after all, able to forge links with the European Free Trade Association (EFTA).

26. The Finns realize that they must convince Moscow that its basic interests will not suffer. Thus, they have made a special effort to react positively to Soviet proposals on such matters as natural gas, nuclear reactors and other economic questions, even when the deals are not the most economically profitable to Helsinki.

27. The Finns may have misjudged both the degree of Soviet opposition and the willingness of the EC to make allowances for Finland's special problems. The road ahead on this important question is likely to be long and bumpy at best. Still, Helsinki appears to have no choice but to continue pressing ahead in the hope that skillful negotiations and a certain amount of luck will see them through.

*(See Annex B)

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ANNEX A

Parliamentary Election Results, 1962 - 1970

Party	1962		1966		1970	
	%	Seats	%	Seats	%	Seats
Social Democratic Party	19.5	38	27.2	55	23.4	52
Center Party	23.0	53	21.2	49	17.1	36
People's Democratic League	22.0	47	21.2	41	16.6	36
National Coalition (Conservative) Party	15.0	32	13.8	26	18.0	37
Rural Party	2.2	-	1.0	1	10.5	18
Swedish People's Party	6.4	14	6.0	12	5.7	12
Liberal Party	6.8	14	6.5	9	6.0	8
Social Democratic League (Left Socialist)	4.4	2	2.6	7	1.4	-
Christian League	} 0.7	-	0.5	-	0.9	1
Other		-	*	-	0.4	-
Total	<u>100.0</u>	<u>200</u>	<u>100.0</u>	<u>200</u>	<u>100.0</u>	<u>200</u>

* Less than 0.05%

ANNEX B

Finnish Foreign Trade (By Percent)

	Exports		Imports	
	1969	Jan-Apr 1970	1969	Jan-Apr 1970
EEC countries	23.8	23.2	27.9	29.1
EFTA countries	41.6	45.2	44.7	45.0
of which				
United Kingdom	(18.5)	(17.3)	(16.4)	(15.2)
Nordic countries	(20.1)	(24.7)	(23.2)	(24.1)
Other OECD countries	10.0	8.5	6.6	5.9
USSR	14.0	11.7	12.8	13.4
Other Communist countries	3.5	4.1	3.7	2.7
Rest of world	7.1	7.3	4.3	3.9
Total	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>