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CIA/ONE/STAFF MEM/71-61

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CENTRAL INTELLIGENCE AGENCY

OFFICE OF NATIONAL ESTIMATES

28 November 1961

STAFF MEMORANDUM NO. 71-61

SUBJECT: Finland Between East and West (Internal ONE Working Paper - CIA Distribution Only)

I. INTRODUCTION

1. The relaxation of Soviet pressures on Finland has reduced tensions in the area, at least temporarily, and a period of sober assessment of the effects has begun. The Finns, although relieved that the Soviets relented without extracting critical concessions, are nevertheless grimly aware that the recent episode emphasized the fragility of Finnish independence and narrowed Finnish freedom of maneuver in future dealings with Moscow. Whether, over the longer term, Finland can retain its national independence and its neutral position will depend largely on Soviet policies and its objectives in Scandinavia as a whole, but also to a degree on Finnish attitudes and skills in handling its relationships not only with Moscow, but with its Western neighbors.

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II BACKGROUND

2. Since World War II Finland has successfully retained its national integrity and resisted Soviet domination by adopt use of its own neutrality policy, the so-called "Paasikivi Line". This policy, named after Finland's highly respected first post-war president, placed first priority on the necessity for correct, friendly, and cooperative relations with the USSR while at the same time affirming Finland's essentially Western character. Within this context the Finns re-established many traditional contacts with the other Scandinavian nations, eliminated Communist ministers from the government in 1948, joined the UN, and even became associated with the European Free Trade Area (EFTA). Significantly, these moves were taken during a period when the Communist party (SKDL) had established itself as a major political force* and Finland was struggling with severe social and economic problems resulting from war time losses, when the

* In the last elections 1958, the SKDL obtained over 25% of the popular vote and 51 of the 200 seats in the Finnish parliament making it the largest political bloc in parliament. The other parties received: Social Democrats 52; (now divided, however, between 39 regular SD's and 13 dissident SD's); Agrarians 43; Conservatives 29; Swedish Party 15; Finnish Liberals 9; and Small Peasant Party 1.

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country was fulfilling a large number of onerous reparations imposed by the USSR and the UK, and when it was heavily dependent on trade with the Soviets.

3. This Finnish success story was due in large measure to deliberate Soviet policy. It is now clearly calculated that it had much to gain by retaining Finland as a "show-case" to the world, both as an example of Soviet magnanimity -- as when it voluntarily withdrew from the Porkkala military base in 1955 -- and as an example of how two countries with conflicting social systems and disparate power can co-exist side by side. In part also, the Soviets may have been restrained from openly bullying the Finns out of a reluctance to flaunt the Scandinavians deep respect for Finland.

4. On the other hand, despite impressive Finnish accomplishments in the post-war years other developments were contributing to increasing Finnish accommodation to the Soviet Union. As early as 1948, at a time when the Finns reacted to the Czechoslovakian demise by clearing their government of communists, Finland was obliged to sign a Mutual Assistance and Friendship Pact. This Pact, dormant until recent weeks,

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has, nevertheless, hung ^{CIA INTERNAL USE ONLY} over Finland ~~like~~ a threatening sword.*
 Moreover, the number of smaller concessions, and adjustments (e.g. annual trade agreements, political, cultural, and more recently military exchanges) connected with the growing intercourse between the two countries, no doubt eroded somewhat Finland's pro-Western orientation and imparted a sense of increasing Finnish isolation, particularly since the Hungarian debacle of 1956.

5. Probably the most important single factor influencing recent Finnish accommodation toward the USSR, however, has been the role played by President U. Kekkonen. Building upon the dual base of the powerful presidential office, and his personal leadership of the strong Agrarian Party, Kekkonen has made himself Finland's most important political figure, particularly in the realm of foreign policy.

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* Under this Pact, Finland and the USSR agree to give mutual support in the case of an attack on the USSR by West Germany or any of its Allies, through Finland. It also provides that the two nations shall consult in case of a threat of such attack, but leaves unclear if such consultations require prior agreement as to the existence of such a threat. The Pact, originally valid for ten years was extended in 1955 for an additional 20 years.

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In short, a small country's Adonaur. Sharply aware of Finland's exposed position vis-a-vis Moscow, he has not hesitated to use his position and foreign policy arguments to stifle the voices of outspokenly anti-Soviet groups. At the same time that he has conducted a vigorous domestic battle against his critics, he has worked to obtain broadest possible international support for Finnish neutrality, a policy capped in recent months by formal endorsements from the UK and US.

6. President Kekkonen's political position has improved sharply since 1958 when a minority government composed largely of his Agrarian party was formed. Strengthened by a general economic upswing during this period, he also benefited from a widening split in the principal opposition party, the Social Democrats (SD's). Moreover, he enjoyed the support on foreign policy issues of the minority dissident element of the SD's. Meanwhile the majority SD's have stubbornly clung to the venerable A. Tanner as their leader, who because of his outspoken anti-Soviet attitudes continues to be a prime target of Soviet criticism. This has enabled Kekkonen to use Soviet displeasure as justification for keeping the SD's out of the government and thus weaken SD ties to the other bourgeois parties.

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7. Kekkonen's increasing political stature did not, however, remove a strong undercurrent of anti-Kekkonen feeling. With new presidential elections scheduled for early 1962, certain political groups -- headed by the majority SD's -- set about to create a political alliance which could defeat Kekkonen. They selected Attorney General Honka, an apolitical type with a reputation for fairness, but with no real foreign policy experience, to be their candidate. All parties, with the exception of the SKDL, Agrarians and dissident SDers, gave their support to Honka, in whole or in part. On paper, at least, there seemed to be a chance for reversing the close 151-149 victory eeked out by Kekkonen in 1956.

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III CURRENT SITUATION AND SHORTER-TERM OUTLOOK

8. It was into this domestic situation that the Soviet exploded their recent bombshell, calling for discussion under the terms of the '48 Mutual Assistance Pact, and asking for assurances of a continued friendly Finnish policy toward Moscow, Kekkonen style. The Finns did not panic; they were, however, clearly shocked and dismayed, and uncertain as to what really underlay Soviet intentions. Moreover, despite some isolated voices urging hard resistance, the majority reaction was clearly that the Finns would have to consult with the Soviets, and that some concessions, hopefully only minor, would have to be made. It also became rapidly evident that the Finns were overwhelmingly of the mind that Kekkonen was the man to handle the job. As in the past, therefore, when Soviet pressures have been applied, the immediate result has been to strengthen Kekkonen. Moreover, since Honka has now withdrawn from the race, Kekkonen's re-election as president is virtually guaranteed.

9. The most important immediate consequence of the recent flare-up in Soviet/Finnish relations thus seems to be that Finland's foreign policy, more than ever, is now in the hands of Kekkonen, and the influence of these developments upon his basic

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views. No doubt his initial successes have strengthened his conviction that his basic policies have been correct, that he is indispensable and that there is continued need for further isolating critics of his foreign policy.

10. There are also some indications that the recent Soviet moves -- with their implied threat of possible military concessions which would clearly have breached Kekkonen's concept of neutrality -- have seriously shaken Kekkonen and reduced his confidence in the willingness of Moscow to hold off, provided Kekkonen kept the Finnish house in order. The fact that he was willing to publicly announce prior to the meeting, that he would resign if he was unable to avoid concessions which would seriously undercut Finnish neutrality, suggests not only the seriousness with which he views the situation but also a turn to a harder line. Kekkonen may, therefore, prove a more formidable negotiating antagonist for the Soviet than hitherto.

11. Where Kekkonen draws the line between acceptable and unacceptable concessions is obviously not easy to define. In general, however, we believe his positions in the near future are likely to be roughly as follows:

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a. Military -- Kekkonen is likely to stubbornly oppose making military concessions which would clearly violate the neutrality concept. He will thus continue to resist strongly Soviet assertions that the West Germany constitute a present threat to Finland which would bring the 1948 Assistance Pact into play, or permit stationing of Soviet forces on Finnish soil. If pressed, however, he would be willing to accept increased quantities of Soviet equipment for a build-up of Finnish forces, and try to gain agreement from USSR and UK for a lifting of the ceiling of 41,000 men, the limit written into the Peace Treaty of 1947.

b. Political -- Kekkonen will be agreeable to broaden the base of government, and if strongly pressed, even to include some Communists. He probably would not take such a step unless it were supported by other major bourgeois parties, and in such a way that he retains essential control of foreign policy in his own hands, and that the Communists were restricted to relatively minor posts. He will probably refuse admittance to the government of the majority SDs so long as Tanner remains the party leader. However, he will be increasingly disposed to bury the hatchet with the leadership of the majority SD party, and

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desirous of an election result in next February's election which will strengthen moderate parties against those of the far Left.

c. International -- If strongly pressed, Keldkonen would probably recognize East Germany. He would, however, at the same time probably balance this move by recognizing West Germany. In the UN Finland's position will continue to be one of extreme caution, but involving possibly somewhat greater activity and further commitments to Scandinavian initiatives.

d. Economic -- Keldkonen will probably continue to agree to increases in Finnish/Soviet trade in such magnitude as to keep the proportion of such trade at somewhere about 20 percent of total Finnish trade, approximately the level that has obtained most of the post-war years*. He will endeavor to avoid agreements with the Soviets which would clearly preclude possible future Finnish association to the larger European economic

* Finnish trade with the USSR has amounted to roughly 15-25 percent of total Finnish trade during the post-war period. This compares with less than 1 percent in the pre-war years. Equivalent figures for Finnish trade with the Sino-Soviet Bloc have been roughly 20-30 percent. Since the mid-1950's the natural trend of Finnish trade with the Communist area as a whole has been downward.

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groups, but he will take no dramatic independent steps which might affront Moscow on this score.

12. The direction of Soviet policies remains decisive for Finland's future. The recent Soviet move was clearly addressed to a much larger audience than Finland, and was probably designed to dramatize the issue of West German remilitarization. The Soviet immediate objectives in Finland were probably satisfied when they were able to demonstrate their critical influence in the Finnish presidential race. Having emphasized their preference for Kekkonen and having eliminated Honka from the race, they probably will exercise restraint in dealing with the Finn's over the next few months largely out of respect for Kekkonen's threat to resign if he is pushed too far. Similarly, they probably recognize the danger of creating counter-productive reactions in Scandinavia if they press the Finns too hard for major military concessions, and will probably not do so in present circumstances. In general, we believe that the design of Soviet tactics will remain what it has been for some years; i.e. to keep Finland moving gradually toward greater subservience to the USSR, prodded only occasionally by overt Soviet intervention.

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IV CONCLUSIONS AND LONGER-TERM OUTLOOK

13. Regardless of Kekkonen's determination to protect what he considers to be basic Finnish interests, we believe over the short run he will be buying time through granting minor concessions to the Soviets in a situation which the latter can upset at any moment. How long the Soviets will be satisfied to play the game before making another major intervention will depend on considerations having little to do with Finland, itself -- namely on the tempo and nature of cold war developments. In addition, the Soviets will probably regard their leverage on Finland as providing them a useful counter to Western moves in the Berlin situation. Thus any significant change in the West German military position, particularly in the matter of nuclear armament, might be used as justification by the Soviets to extract sweeping military concessions from the Finns.

14. Moreover, there are broader developments on the horizon which could produce another Soviet/Finnish crisis. In the not too distant future Finland could be faced with a decision of how to achieve some link with the expanding European economic grouping, the EEC. For both economic and psychological reasons such a

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Link is vital to the Finns if they ^{CIA INTERNAL USE ONLY} ~~are to retain~~ their basically Western character. It is almost certain, however, that the Soviets will make serious efforts to keep the Finns from such a step, or at least to extract a price which would make such a deal -- on balance -- of questionable value to them.

15. In these circumstances on increasing pessimism in regard Finland's ability to retain its independence, it is also possible that the Finns -- and many Scandinavians -- may feel impelled to seek some dramatic alternative to save Finland. Kekkonen has long been an advocate of some form of neutral Scandinavian defense and economic grouping, but has not pushed such plans because of the many major obstacles involved. Faced with the present grim realities, however, he may make a real effort to convince the Scandinavians -- particularly the Swedes and Norwegians -- of the necessity for such a step. Moreover, if met by signs of Western encouragement he would probably be willing to risk considerable Soviet displeasure to see that such a plan could be realized.

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