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CENTRAL INTELLIGENCE AGENCY  
OFFICE OF CURRENT INTELLIGENCE  
28 JUNE 1953

FINNISH PREMIER ANNOUNCES RESIGNATION OF HIS GOVERNMENT

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The Finnish cabinet is expected to submit its formal resignation to President Paasikivi on 29 June. Premier Kekkonen announced on 27 June that he would submit the resignation of his coalition government because of the inability of the Agrarian and Social Democratic parties to reach agreement upon a solution of the country's pressing economic problems. Premier Kekkonen, who is also leader of the Agrarian Party, suggested in his announcement that the Social Democrats be given the responsibility of forming a new government.

It is unlikely that the Social Democrats would desire at this point to take over responsibility for forming and heading a new government. The Social Democratic Party chairman remarked after the Premier's announcement that the existing conflict could best be dealt with by holding new elections.

The disagreement between the Agrarians and the Social Democrats revolves around Finland's basic economic problems of rising industrial production costs, which have priced Finnish goods out of the world market, and the threat of widespread unemployment this winter. The Social Democrats have advocated a system of industrial subsidies so that Finland could lower the price of its export goods and thus build up its declining trade. The Agrarians, on the other hand, favor the reduction of taxes, wages and interest rates.

The Social Democrats are in continual struggle with the Communists for control of the labor movement. Therefore, they have not been willing to make any concessions which could be used by the Communists in this fall's communal elections as evidence of the inability of the Social Democrats to guard the interests of the workers.

The Agrarians, on the other hand, should they make concessions fear they would lose some of their electorate to the smaller conservative parties.

Prime Minister Kekkonen's announcement that he plans to submit his government's resignation may be a maneuver on his

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part to force the cabinet members from his party to agree to enough concessions so that a program could be worked out with the Social Democrats. As premier, Kekkonen has used this method successfully in the past.

In the present case, however, it appears more likely that the cabinet's resignation will be accepted and that parliamentary elections will be held before the communal elections scheduled for 4 October. The elections would serve a useful function since they would, in effect, be a national referendum on the solution of Finland's economic problems.

Although it is possible that the Communists, which have the third largest party in Finland, would gain a few additional parliamentary seats, there would probably be no significant shift of votes between the three major parties. Since neither the Agrarians nor the Social Democrats will cooperate with the Communists, they will be forced to form a working coalition, excluding the Communists, which can resolve the economic crisis.

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