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CENTRAL INTELLIGENCE AGENCY

6 December 1961

MEMORANDUM FOR THE UNITED STATES INTELLIGENCE BOARD

SUBJECT: Finland Between East and West

The attached memorandum for the Director, "Finland Between East and West" dated 30 November 1961 is forwarded for your information.

NOTE: This cover memorandum is being forwarded for your information. You have already received this Memorandum for the Director on previous distribution.

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[Redacted Signature Box]

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CHESTER L. COOPER
Deputy Assistant Director
National Estimates

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12 JUN 1980

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CENTRAL INTELLIGENCE AGENCY
OFFICE OF NATIONAL ESTIMATES

30 November 1961

MEMORANDUM FOR THE DIRECTOR

SUBJECT: Finland Between East and West

A. Introduction

1. The recent 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 claim to neutrality will depend largely on Soviet policies and its objectives in Scandinavia as a whole. It will also depend upon Finnish skills in handling its relationships not only with Moscow, but with its Western neighbors.

B. Background

2. Since World War II Finland has successfully retained its national integrity and resisted Soviet domination by adept use of its own neutrality policy, the so-called "Paasikivi Line." This policy, named after Finland's highly respected postwar President, (1946-1956) gave first priority to the necessity for correct, friendly, and cooperative relations with the USSR while at the same time affirming Finland's ties to the West. 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), in 1960. Significantly, this line of policy was developed during a period when the Communist dominated Finnish Peoples' Party (SKDL) had established itself as a major political force* and Finland was struggling with severe social and economic problems resulting from wartime

* In the last elections 1958, the SKDL obtained over 23 percent of the popular vote and 50 of the 200 seats in the Finnish Parliament making it the largest political bloc in Parliament. The other parties have: Social Democrats (SD) 51; (now divided, however, between 37 regular SD's and 14 dissident SD's); Agrarian's 47; Conservatives 29; Swedish Party 14; Finnish Liberals 8; and Small Peasant Party 1.

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losses, when the country was fulfilling onerous reparations demands, 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. Moscow 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, the Soviets have also been restrained from openly bullying the Finns in fear that such moves would cause certain countries, particularly Sweden, to move closer to the West.

4. On the other hand, certain other developments were tending to increase 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 with Moscow. This pact, dormant until recent weeks, has, nevertheless, hung over Finland like a threatening

- 3 -

SECRET

SECRET

sword.* The sense of growing isolation from the West, and of helplessness to protect Finland's neutrality against serious pressures, has undercut Finnish morale, and helps explain Finnish willingness to make a number of smaller concessions, and adjustments (e.g., annual trade agreements, political, cultural, and more recently military exchanges). These in turn have further impressed the Finns with their dependence upon the USSR and its policy.

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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Sharply aware of Finland's exposed

* 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 10 years was extended in 1955 for an additional 20 years.

SECRET

position, he has not hesitated to use his prestige and reputation to deal with Moscow 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 greatly improved since 1958, when a minority government based mainly on his Agrarian Party was formed. Strengthened by a general economic upswing during this period, he also benefited from a split, now definitive, in the principal opposition party, the SD's. Moreover, he enjoyed support on foreign policy issues of the SD minority group. Meanwhile the majority SD's have stubbornly clung to the venerable V. 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.

7. Kekkonen's increasing political stature did not, however, remove a strong undercurrent of anti-Kekkonen feeling. With new

SECRET

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 figure 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 minority SD's, gave their support to Honka, in whole or in part. On paper, at least, there seemed to be a chance for reversing the close electoral vote (151-149), which Kekkonen won by in 1956.

C. Current Situation and Shorter Term Outlook

8. It was into this domestic situation that the Soviets exploded their recent bombshell, calling for consultations under the terms of the 1948 Mutual Assistance Pact, and asking for assurances of a continued friendly Finnish policy toward Moscow. 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

- 6 -

SECRET

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. In these circumstances, Honka also withdrew from the race, thus virtually guaranteeing Kekkonen's re-election as President.

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. 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. But there are also some indications that the recent Soviet moves -- with their implied threat of possible military demands clearly violating Kekkonen's concept of neutrality -- have seriously shaken Kekkonen. It may also have reduced his confidence that Moscow would not push Finland too far if his line continued to be followed. The fact that he was willing to announce publicly prior to the meeting, that he would resign if he was unable to avoid concessions which would seriously undercut Finnish neutrality,

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suggests the seriousness with which he views the situation. It also suggests that he himself may be willing to go over to a line of stiffer resistance. Kekkonen may, therefore, prove a more formidable negotiating antagonist for the Soviets than hitherto.

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

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 a Soviet attempt to construe the alleged military threat from West Germany in such a way as to bring the 1948 Assistance Pact into play, or the stationing of Soviet forces or placing of military facilities on Finnish soil. If pressed, however, he would probably be willing to accept increased quantities of Soviet equipment for a buildup of Finnish forces.

b. Political -- Kekkonen would be willing to broaden the base of government, and if strongly pressed, even to include some Communists. He probably would not take such a step unless

- 8 -

SECRET

it was supported by other major bourgeois parties, and even then only on the condition that the Communists were restricted to relatively minor posts, and that he retained essential control of foreign policy. He will be increasingly disposed to bury the hatchet with the leadership of the majority SD Party, and desirous of a result in next February's election which will strengthen moderate parties against those of the far Left. However, he will probably refuse admittance to the government of the majority SD's so long as Tanner remains the party leader.

c. International -- If strongly pressed, Kekkonen would probably recognize East Germany. He would, however, at the same time probably balance this move by recognizing West Germany. At the recent Kekkonen meeting with Khrushchev, Finland accepted the obligation "to follow developments in Northern Europe and the Baltic and, if it proves necessary, submit to the Soviet Union its views on the necessary measures that should be taken." The Soviets probably expect Finland to use what influence it has with its Scandinavian neighbors to minimize their military arrangements with West Germany and with NATO in general. Finland for its part, and in pursuance of its own interest in minimizing the confrontation of military blocs in Scandinavia, will almost certainly be

SECRET

willing to do this, though not to the extent of antagonizing its Scandinavian neighbors.

d. Economic -- Kekkonen 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 15-20 percent of total Finnish trade, approximately the level that has obtained most of the postwar years.* He will endeavor to avoid agreements with the Soviets which would clearly preclude possible future Finnish association with the larger European economic 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 and through Finland, to bring pressure upon Sweden and the Scandinavian members of NATO. The USSR's immediate objectives in Finland were probably

* Finnish trade with the USSR has amounted to roughly 15-25 percent of total Finnish trade during the postwar period. This compares with less than 1 percent in the prewar years. Equivalent figures for Finnish trade with the Sino-Soviet Bloc have been roughly 20-33 percent. Since the mid-1950's the trend of Finnish trade with the Communist area as a whole has been downward in percentage terms. In 1960 the figure was 14 percent.

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satisfied when it was able to demonstrate its decisive 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 Finns 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 counterproductive reactions in Scandinavia if they press the Finns too hard for major military concessions.

D. 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. 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. How long the Soviets will be satisfied to play this game before making another major intervention will depend on considerations having little to do with Finland, itself -- namely on the tempo

- 11 -

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and nature of cold war developments. In particular, the Soviets will probably regard their leverage on Finland as providing them a useful counter to Western policy in Germany. 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 major military concessions from the Finns.

14. Moreover, there are broader developments on the horizon which could produce another Soviet/Finnish crisis. For example, 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 European Economic Community. For both economic and psychological reasons such a link is vital to the Finns if they 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.

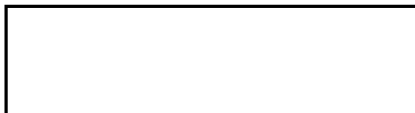
15. In these circumstances of increasing pessimism in regard to Finland's ability to retain its independence, it is also possible that the Finns -- and many Scandinavians -- may feel

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impelled to seek some dramatic alternative to save Finland. Kekkonen has long evidenced general interest in some form of a neutral Scandinavian grouping, and there are some indications that exploratory efforts are underway to sound Scandinavian, and Western, views on the matter. Faced with the present grim realities, moreover, he may make a real effort to convince the Scandinavians -- particularly the Swedes and Norwegians -- of the necessity for such a step.

FOR THE BOARD OF NATIONAL ESTIMATES



for

SHERMAN KENT
Chairman

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