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Transatlantic Relations and Finland's Application to the European Free Trade Association (EFTA)

In July 1959, the Finnish Prime Minister, V. J. Sukselainen, stood at a meeting of Nordic leaders and announced a desire to join the free trade area then being discussed between Austria, Britain, Denmark, Norway, Portugal, Sweden and Switzerland.¹ That an outsider appeared keen to accede at so early a stage in their negotiations was, superficially at least, immensely flattering for 'the Seven'. As the *Observer's* Economic Editor put it, any membership bid would 'add to the prestige' of an organisation that was still formally to be established.² As would quickly become apparent, however, Finland's involvement in what would soon become the European Free Trade Association (EFTA) also presented numerous and potentially insurmountable challenges. These ranged from somewhat mundane technical questions over Finland's tariff policy and lingering doubts about the compatibility of its economy with membership of a regional free trade pact, to the far more critical fact that the Soviet Union had a not inconsiderable influence over the whole tenor of Finnish domestic and foreign politics. And yet despite all these hurdles, by June 1961 Finland was nonetheless able to take up its position in EFTA as an associate member.

In such circumstances it is not entirely surprising that Finland's path to EFTA has been a topic much discussed by scholars. This research means we now know a great deal in particular about the economic motives behind Finland's approach to the Seven. Policymakers appear for instance to have been driven by an understandable desire to grow the country's economy by securing easier access to existing and new markets, and the equally pressing need to remain competitive by entering any preferential trade arrangement containing Norway and Sweden, both of which like Finland were

¹ For the speech see Gunnar Lange, "Welcome for a Nordic Partner". *EFTA Bulletin*, Volume 2, Number 4, April 1961, 3.

² Economic Editor, "Inner Plan for Outer Seven". *The Observer* 19.07.1959.



major exporters of woodworking and paper products.³ The extant historiography likewise means we have a very clear sense of what might be termed the security imperative of Finland's European policy. After all Finland was a country whose neutrality was highly dependent on good-neighbour relations with the Soviet Union. That Moscow was initially at least rather cool towards Finnish participation in EFTA – a theme developed further below – thus obliged the government in Helsinki to consider ways of moving closer to the Association without disturbing this neutrality or fundamentally jeopardising its existing trade with the Eastern bloc.⁴

In concentrating so singly on the Finnish point of view, however, what those writing on the subject have left largely unanswered is how other international actors viewed Finland's EFTA bid. Some exceptions do admittedly exist. Mikael af Malmborg explored in some detail how Sweden became an early and remarkably passionate advocate of Finnish entry.⁵ Several scholars have by contrast remarked of the initial reluctance by some British officials, not least those charged with

³ Most obviously Klaus Törnudd, "Finland and Economic Integration in Europe". *Cooperation and Conflict*, Volume 4, Number 1, 1969, 63–72. See also Esko Antola, "Finland". *The Wider Western Europe: Reshaping the EC/EFTA Relationship*. Edited by Helen Wallace. Pinter, London, 1991; Esko Antola and Ossi Tuusvuori, *Länsi-Euroopan integraatio ja Suomi*. Ulkopoliittinen instituutti, Helsinki 1983; Juhana Aunesluoma, *Vapaakaupan tiellä. Suomen kaupp- ja integraatiopolitiikka maailmansodista EU-aikaan*. SKS, Helsinki 2011, 189–221; Riitta Hjerpe, "Finland's Foreign Trade and Trade Policy in the 20th Century". *Scandinavian Journal of History*, Volume 18, No. 1, 1993, 57–76; Tapani Paavonen "Finland and the Question of West European Economic Integration 1947–1961". *Scandinavian Economic History Review*, Volume 52, Number 1–2, 2004, 85–109; Jukka Seppinen, *Suomen Efta-ratkaisu yöpakkasten ja nootikkriisin välissä*. Suomen Historiallinen Seura, Helsinki 1997.

⁴ Esko Antola, "The Finnish Integration Strategy: Adaptation with Restrictions". *Facing the Change in Europe: EFTA Countries' Integration Strategies*. Edited by Kari Möttölä and Heikki Patomäki. FIIA, Helsinki 1989; Harto Hakovirta, "Puolueettomuus ja integraatiopolitiikka: Tutkimus puolueettoman valtion adaptaatiosta alueelliseen integraatioon teorian, vertailujen ja Suomen poikkeavan tapauksen valossa". Unpublished PhD, University of Tampere 1976; Harto Hakovirta, "The Nordic Neutrals in Western European Integration". *Cooperation and Conflict*, Volume 22, Number 4, 1987, 265–73; Toni Muoser, *Finlands Neutralität und die Europäische Wirtschaftsintegration*. Nomos, Baden-Baden 1986; Tapani Paavonen, "From Isolation to the Core. Finland's Position towards European Integration 1960–1995". *Journal of European Integration History*, Volume 7, Number 1, 2001, 53–75; Johanna Rainio-Niemi, *The Ideological Cold War: The Politics of Neutrality in Austria and Finland*. Routledge, New York and London 2015, 96–97; Hannu Rautkallio, *Kekkonen ja Moskova. Suomi lännestä nähtynä 1956–1962*. Kustannusosakeyhtiö Tammi, Helsinki 1991; Timo Soikkanen, *Presidentin ministeriö. Ulkoasiainhallinto ja ulkopoliittikan hoito Kekkonen kaudella I. Kansainvälistymisen ja muutosvaatimusten paineissa 1956–1969*. Ulkoasiainministeriö, Helsinki 2003.

⁵ Mikael af Malmborg, "Swedish Neutrality, the Finland Argument and the Enlargement of 'Little Europe'". *Journal of European Integration History*, Volume 3, Number 1, 1997, 63–80.

negotiating EFTA, even to countenance broadening the group to include the Finns.⁶ Comparatively few historians have nonetheless gone on to explain why despite this early negativity from the British and the magnitude of the obstacles presented by the Finnish application, all seven EFTA founder members chose finally to accept Finland into their fold. No complete explanation of how and why this was the case is in fact possible without tackling the topic from the perspective of EFTA itself and studying in particular the series of fitful and often frustrating negotiations which would eventually follow Sukselainen's July statement. For each of the Seven were capable of vetoing Finland's accession; it is hence in the discussions among them where the success or failure of its entry ultimately lay. And as important in explaining why such agreement among the Seven finally came about, so this article will argue, is in turn the role played by the United States. It is already well known that the Americans had long taken an interest in the health of Finnish sovereignty and the relative influence exercised by the Soviet Union over successive administrations in Helsinki.⁷ Any development which as with EFTA brought to the fore the twin dilemmas of Finland's relationship with Western Europe and the nexus between Finland and the Soviet Union, was thus always likely to elicit at least some interest from Washington. As we shall see, timely interventions by US diplomats indeed go some way to explaining why important technical and logistical challenges related to Finland's accession were overcome.

It is, then, upon the relationship between Finland and EFTA, the internal EFTA deliberations on the subject of Finnish membership, and the way such discussions played out within the wider context of transatlantic relations, which the present article intends to concentrate. In so doing, the opening section of the article will first recall the international position in which Finland found itself by 1959 and then explain how this fed into the early response to Sukselainen's July announcement. Such an examination should introduce what became a major feature of the Finnish-EFTA story: namely, the tussle between the perceived difficulties presented by the membership bid and the anxieties shared by those in the West – and most strongly expressed by the United States – who saw Finland's status as an independent country as increasingly at risk amid a freeze in Finno-Soviet relations and a broader worsening of East-West relations. The latter part of the article will in turn ask how these apprehensions, which translated into a preference for Finland to join EFTA as a way of shielding it from Soviet pressure, played out among the Seven as they

⁶ Ibid; Seppinen 1997, 116; Niklas Jensen-Eriksen, "Market, Competitor or Battlefield? British Foreign Economic Policy, Finland and the Cold War 1950–70". Unpublished PhD, London School of Economics 2004.

⁷ See for instance Jussi M. Hanhimäki, *Containing Coexistence: America, Russia, and the "Finnish Solution" 1945–1956*. Kent State University Press, Kent, Ohio and London 1997; Hanna Ojanen, "If in 'Europe' then in its 'core'?" *European Union Enlargement: A Comparative History*. Edited by Wolfram Kaiser and Jürgen Elvert. Routledge, London and New York 2004, 159–165.

finally set about negotiating with Finnish officials throughout 1960 and early 1961. How did the Seven grapple with the political and logistical hurdles presented by Finland's presumptive membership that became only more pronounced as the negotiations continued? And what role did the transatlantic nexus play in helping to smooth Finland's path to EFTA? In order to answer such questions, the article draws on EFTA's own papers housed at the Association's headquarters in Geneva, the EFTA collection based at the European University Institute (EUI) in Florence, and the American State Department's *Foreign Relations of the United States* (FRUS) series, supplemented where appropriate by references to the national archives of key member states.⁸

Sitting awkwardly between West and East

The basic shape of Finland's foreign economic position in the 1950s was forged during a frenetic period of negotiations with the Soviet Union that stretched from the close of the Continuation War in September 1944 to the signing of the Treaty of Friendship, Cooperation and Mutual Assistance (FCMA) four years later. At first there was little indication that the Kremlin planned to inflict on Finland the sort of political or military pressure being applied to countries like Romania and Hungary. On the contrary, the terms of both the Moscow Armistice which officially ended the Continuation War, and the Paris Peace Treaties signed in February 1947 placed a premium on financial restitution above much else. The government in Helsinki would admittedly need to atone for its wartime Nazi allegiance, legalise the previously outlawed Finnish communist party, and cede territories such as Karelia as part of a redrawing of the Russo-Finnish border. So too did the Soviets expect Finland to act in the spirit of a good-neighbour, not least by quelling any domestic outbreaks of anti-Soviet sentiment. But Finland's status as a Western parliamentary democracy with a capitalist economy, even if one marred by the experience of war, otherwise emerge unscathed.⁹

Adjustments to this stance gradually unfolded against the backdrop of the Cold War. An early sign of how increasingly narrow was Finland's freedom of manoeuvre vis-à-vis the Soviet Union came already in mid-1947 when the Finnish government

⁸ Archival material is patchy for EFTA's formative year. Only from May 1960, when the Association formally commenced work, is there a systematic record of events. Danish, Swedish and in particular British national archives have been consulted to fill this gap. The period would benefit from further research in Austrian, Swiss, Portuguese and Norwegian collections.

⁹ For an overview see i.e. Anthony Upton, "Finland, Great Britain and the Cold War 1944–55". *From World War to Cold War: Anglo-Finnish Relations in the 20th Century*. Edited by Juhana Aunesluoma. Suomalaisen Kirjallisuuden Seura, Helsinki 2005; Tuomo Polvinen, *Between East and West: Finland in International Politics 1944–1947*. University of Minnesota Press, Minneapolis MN 1986.

elected to reject Marshall Aid for fear of antagonising the Soviet leadership.¹⁰ The foundations of Finland's future trade ties with the Soviet Union were then laid a few months later with the signing of the Treaty of Commerce. At its core this foreshadowed an increase in bilateral trade regulated by stringent annual (and later five-year) targets. But as will be explored further below, in granting the Soviet Union 'unconditional and unlimited' most favoured nation (MFN) status the Finnish also managed to store up trouble for their later advance towards EFTA.¹¹ And by April 1948 the FCMA added a strategic dimension to the relationship.¹² None of this admittedly meant Finland was any less determined to build closer economic and trade ties with the West. Indeed, the Finns signalled early on that their rejection of American dollar aid should not be allowed to interfere with its seat in the International Monetary Fund (IMF) or its then presumptive accession to the General Agreement on Tariffs and Trade (GATT).¹³ Its latitude was moreover sufficient enough to secure in the FCMA mention of the fact that, unlike the countries of the Eastern bloc, Finland endeavoured to remain neutral, thus effectively securing Finland as a democratic state. But equally Finland now faced a new reality firmly embedded in the Soviet security system and restrained by the need to keep out of any 'great power' confrontations.¹⁴ Not only did this fact enhance Soviet political leverage over Finnish politics under the guise of 'defending' against threats to its own sovereignty, but it also all but precluded Finland from tightening bonds with those international organisations judged inimical to Soviet interests. In this calculation the IMF and GATT were both tolerable as loose

¹⁰ Mikko Majander, "The Limits of Sovereignty: Finland and the Question of the Marshall Plan in 1947". *Scandinavian Journal of History*, Volume 19, Number 4, 1994, 306–326; Törnudd 1969, 63.

¹¹ On the Treaty of Commerce see Paavo Rantanen, "The Development of the System of Bilateral Agreements between Finland and the Soviet Union". *Finnish-Soviet Economic Relations*. Edited by Kari Möttölä et al. Macmillan, London and Basingstoke 1983, 43–52.

¹² Max Jakobson, *Finland in the New Europe*. Praeger, Westport CT 1998, 55–63; Suvi Kansikas, "Dismantling the Soviet Security System: Soviet-Finnish Negotiations on Ending their Friendship Agreement 1989–91". *International History Review*, Volume 41, Number 1, 2019, 83–104.

¹³ Erkki Mäentakanen, "Western and Eastern Europe in Finnish Trade Policy 1957–1974". *Cooperation and Conflict*, Volume 13, 1978, 21–41, here 22; Tapani Paavonen, "Neutrality, Protectionism and the International Community". *Scandinavian Economic History Review*, Volume 37, Number 1, 1989, 23–40, here 28–30.

¹⁴ Jan-Magnus Jansson, "Finland and Various Degrees of Integration". *Yearbook of Finnish Foreign Policy 1973*. FIIA, Helsinki 1983, 23–5.

economic groupings; the Marshall Plan, deemed in Moscow as an attempt to expand American political influence in Europe, was not.¹⁵

The implications of all this in the context of EFTA were at least threefold. For a start it meant that the Finnish were excluded from the Organisation for European Economic Cooperation (OEEC) which administered Marshall Aid. Sign that this was a problem emerged in the autumn of 1956 when Britain launched plans to create within the confines of the OEEC an industrial free trade area – the so-called FTA – comprising all seventeen of its members, including the six nations then still brokering the European Economic Community (EEC).¹⁶ Behind the British initiative it should be remembered was a strong desire to prevent ‘the Six’ from dominating the continent politically and forging an exclusive trade bloc with a high tariff wall. Leaving aside the story of how in November 1958 these negotiations collapsed, the objectives which had prompted the original FTA talks had not simply disappeared. The desire to create a bridge towards the Six indeed largely explains why the Seven had been so determined quickly to construct a new, smaller free trade bloc.¹⁷ Such a task was made immeasurably easier since so many of the technical questions that might otherwise have dogged EFTA’s founding negotiations had largely been ironed out during the earlier FTA episode. For Finland, however, its absence from the OEEC and thus the FTA negotiations inevitably meant this was not the case. This led the British to conclude that any Finnish presence would only ‘complicate’ the progress of the Seven’s talks as they formally got underway in Saltsjöbaden on the outskirts of Stockholm from July 1959.¹⁸ There was a certain logic to this British timidity. If nothing else, a Finnish application might well trigger a host of similar ‘peripheral’ bids, thereby turning EFTA from a practical basis of talks with the Six to an organisation consumed by the issue of enlargement. Ireland, Turkey and Greece were all being talked about as potential future members of the Association. Their inclusion could in fact be more easily justified on the grounds that they were

¹⁵ Hence Maxim Korobochkin’s remark that Finland had achieved a ‘unique status somewhere between a military ally and a benevolent neutral, preserving its independence [...] but accepting important limitations on its foreign policy’, in “Soviet Policy towards Finland and Norway 1947–1949”. *Scandinavian Journal of History*, Volume 20, Number 3, 1995, 185–207, here 206. See also Juhana Aunesluoma and Marjo Uutela. “In Germany’s Footsteps: German Reunification and Finland, 1987–1994”. *Europa und die deutsche Einheit: Beobachtungen, Entscheidungen und Folgen*. Edited by Michael Gehler and Maximilian Graf. Vandenhoeck and Ruprecht, Göttingen 2017, 415–438; Ralf Törmgren, “The Neutrality of Finland”. *Foreign Affairs*, Volume 39. Number 4, 1961, 60–609.

¹⁶ The Six refers to Belgium, France, Germany, Italy, Luxembourg and the Netherlands.

¹⁷ On the collapse of the FTA, among others, James Ellison, *Threatening Europe: Britain and the Creation of the European Community, 1955–58*. Macmillan, Basingstoke and London 2000, 214–219.

¹⁸ European Free Trade Area Steering Group: Note of Meeting, 28.4.1959, GEN.613/87th Meeting, CAB 130/133, UK National Archives, Kew [henceforth TNA].

existing signatories to the OEEC.¹⁹ By contrast, Finland's 'aloofness' from certain Western integration schemes meant it was something of an unknown quantity to EFTA members like Austria and Portugal.²⁰

The second reason that this context matters relates to the type of economic model that Helsinki would go on to develop over the course of the 1950s. Part of the problem was simply that Finland's decision to remove itself from many of the economic arrangements it thought of as risking its neutrality meant some of the standards and norms agreed by other Western states were slow to filter down to its economy. The Brussels tariff nomenclature system is a case in point, since the Finnish approach to classifying goods for reporting and duty purposes conflicted with that employed by the Seven.²¹ Of rather more significance was that the actual pattern of Finno-EFTA trade meant that accession to the Association would require Finland to open its economy to Western competition much further than had previously been the case. As things stood, Finland maintained a high tariff regime of at least 30 per cent on industries like silk, rubber, glass and wool, as well as extensive quotas for products such as coal and oil.²² And yet the limited degree of liberalisation up until this point, alongside Finland's still developing industrial base and its deteriorating balance of payments position, caused some in the Seven to cast doubt on whether the Finns would be able to remove or even reduce these tariffs according to the transition period envisaged by EFTA.²³

Doubts over whether Finland could meet the economic obligations expected of it were most apparent when it came to the portion of the Finno-Soviet Treaty of Commerce dealing with the MFN clause.²⁴ This had already complicated Finland's joining GATT since it contravened the principle of non-discrimination. But it was arguably much harder an obstacle in the context of possible EFTA membership. The

¹⁹ Minutes of 1st Ministerial Meeting at Saltsjöbaden, 21.07.1959, EFTA-499, Historical Archives of the European Union, Florence [henceforth HAEU]; FO to Stockholm, tel. no. 300, 14.7.1959, T 236/6094, TNA; Working Party on the Free Trade Area Convention: Problem of Non-Members, ES(EI)Convention (59)13(Revise), 8.5.1959, T 277/829, TNA; The Handling of the Finnish Application in Stockholm, undated, T 337/41, TNA.

²⁰ Ibid. For the idea of Finnish 'aloofness' see Törnudd 1969, 63.

²¹ Association of Finland with EFTA: Note by the Secretary-General to Heads of Delegations, EFTA/SGN 20/60, 17.12.1960, EFTA-349, HAEU.

²² Jensen-Eriksen 2004, 45; Tapani Paavonen, *The FINN-EFTA Agreement (1961) as a Turning Point in the Finnish Foreign Economic Policy*. Turun yliopisto, Turku 1991.

²³ List of Goods which Finland Wishes to Prolong Periods of Transition, EFTA 52/60 Appendix 2, undated, EFTA-5, HAEU; FO to Helsinki, tel. no. 161, 16.7.1959, T 236/6094, TNA.

²⁴ The MFN principle, a vital component of post-1945 global relations devised largely to stop the return to the bilateralism and protectionism of the 1930s, sought to prevent states granting favourable trade terms such the removal of tariffs on certain goods to one of its partners while discriminating against another. For more see Gerard Curzon, *Multilateral Commercial Diplomacy*. Michael Joseph, London 1965, 57–69; M. M. Kostecki, *East-West Trade and the GATT System*. Macmillan, London 1979.

nub of the issue was that, were the Soviets not to forego their MFN claim, there was a good chance that via Finland goods from the Eastern bloc could infiltrate EFTA markets tariff-free without reciprocal access for their own products.²⁵ If this were not already problematic enough, any sense that EFTA states regarded this acceptable was thought likely to undermine the ability of its three neutral members – Austria, Sweden and Switzerland – to withstand similar requests from Soviet leaders, an outcome which if left unchecked could see all three increase their economic, and perhaps eventually political, reliance on the Soviet Union.²⁶ What was more, in order to remain compliant Finland would be obliged to grant to GATT as a whole the terms on which it traded with the Soviet Union. And yet neither Finland, whose infant industries would be exposed to global competition, nor the Seven, whose own trade advantage would be lost, looked prepared to see this happen. Unless and until either the Soviet Union waived its MFN claim, or every GATT Contracting Party – including the United States – and the seven EFTA states somehow all agreed to carve out an exception for Finland, there consequently existed legitimate questions as to the technical feasibility of Finnish membership.²⁷

A third aspect was the geopolitical component of Finland's ties with the Soviet Union. Qualms about this nexus were first expressed by Swiss diplomats, who in conversations with their British counterparts at Saltsjöbaden reckoned Finland could well act as a 'Russian Trojan horse'.²⁸ Austria matched Swiss unease. According to Johann Augenthaler, a civil servant drawn from the Federal Ministry of Trade and Reconstruction in Vienna, the Soviet Union had already welcomed EFTA as a method of splitting European members of the North Atlantic Treaty Organisation (NATO) into two rival blocs. To this end, Finland's joining EFTA was thought likely to both strengthen the neutral corpus in the Association and destabilise

²⁵ Finnish Situation as Explained by Munkki, Annex to SGN 5/60, 4.10.1960, EFTA-349, HAEU. The Seven themselves mostly had MFN agreements with the Soviet Union, but ignored it since GATT allowed exclusion from a free trade area. The rub in the case of Finland was that Moscow seemed unwilling for it to take the same approach.

²⁶ European Free Trade Area Steering Group: Note of Meeting, 14.7.1959, GEN.613/102nd Meeting, CAB 130/133, TNA.

²⁷ *Foreign Relations of the United States (FRUS) 1958–1960*, Volume X, Part 2, Document 211, Hickerson to Willoughby, 30.9.1959; Foreign Correspondent, "Finland and the Outer Seven: No Soviet Objections?". *Financial Times* 28.10.1959; Ashford to Seaman, 16.12.1959, T 236/6094, TNA; Confidential Note, 21.10.1960, 98.B.2/Finland pk. II box 14302, Danish National Archives (Rigsarkivet), Copenhagen [henceforth DNA].

²⁸ Helsinki to FO, tel. no. 197, 24.7.1959, T 236/6094, TNA.

political relations in Western Europe still further.²⁹ Questionable of course is quite how accurate was this preliminary reading of events. That *Pravda* had issued a thinly veiled warning that countries like Finland ought to resist 'coming under the influence' of Western powers suggests Augenthaler's comments and others like it were somewhat bombastic.³⁰ And there is also evidence to suggest that, far from welcoming Finnish EFTA membership, Soviet leader Nikita Khrushchev in fact originally rejected any such move, even appearing to cancel a planned meeting in Helsinki as a response to Sukselainen's announcement.³¹ But whatever the reality of Soviet thinking, arguably more important here is that a good number of EFTA states appear themselves to have been convinced that, whatever Moscow's position, Finnish EFTA membership did carry risks as far as the Soviet Union was concerned. Certainly Austria was sufficiently sensitive about its position that when Sukselainen later stated Finland would ultimately adopt a stance towards EFTA which was 'true to its declared policy of neutrality' – seemingly implying that neutral Austria was not – its representatives, together with their Swiss counterparts, temporarily abandoned the Saltsjöbaden talks.³² And British officials, led by the Economic Affairs section of the Foreign Office, likewise counselled against having Finland join since it considered the Finnish establishment as being liable to 'Russian pressures'.³³ Newspaper reports from the time go so far as suggest British cabinet ministers had expressed similar reservations.³⁴ This line of reasoning seems to have sprung from the belief that the Soviet Union could use Helsinki as a vehicle through which to destabilise the Seven – although the archival record says nothing of how officials thought this might be achieved – which in turn would 'create difficulties when the time came to negotiate a subsequent agreement with the Six'.³⁵ No grouping like EFTA whose entire raison d'être was to find a workable, comprehensive framework for relations with the Six could surely afford to have its central mission threatened by such a newcomer.

²⁹ Harris to Holliday, 8 February 1960, FO 371/150307, TNA. For more on Austrian EFTA policy see i.e. Michael Gehler and Wolfram Kaiser, "A Study in Ambivalence: Austria and European Integration 1945–95". *Contemporary European History*, Volume 6, Number 1, 1997, 75–99; Michael Gehler, "Vom ERP-, EFTA- und EWR- zum EU-Mitglied: Österreichs sukzessive europäische Integrationspolitik 1945–1995". *Christliche Demokratie*, Volume 11/12, Number 4, 1994/1995 27–82.

³⁰ af Malmborg 1997, 70–71.

³¹ Ibid.

³² Finland and the Stockholm Group, 24.7.1959, T 337/41, TNA.

³³ FO to Stockholm, tel. no. 310, 17.7.1959, MAF 322/26.

³⁴ Correspondent, "Finns Fear 'Split' in London". *Daily Telegraph* 22.9.1959.

³⁵ FO to Stockholm, tel. no. 300, 14 July 1959, T 236/6094. For a detailed discussion of British policy vis-à-vis Finland in this period, Jensen-Eriksen 2004, 201–208.

This almost wholly critical mix of political and economic challenges had already ensured that Finland was denied observer status at Saltsjöbaden.³⁶ Within months, however, something profound had clearly taken place. For when on 18 November Helsinki formally requested consultations with the Seven, they now ‘warmly welcomed’ the opportunity to discuss ‘the form and on what conditions, as to rights and obligations, Finland could participate’.³⁷ What had occasioned this apparent change of mind? It certainly helped that by this date the Seven had completed the bulk of their own negotiations to the point of being able to initial a draft of EFTA’s founding text, the Stockholm Convention. They were therefore in a position finally to turn their attention to Finland without its entry obstructing the advances made.³⁸ It also helped that Finland’s Nordic partners, and Sweden in particular, had relentlessly pressed the case for its involvement in the preceding months. A commitment to Nordic solidarity probably played some role in this decision.³⁹ So too did the Scandinavians’ reading of Finland’s economic position. Trade with the Eastern bloc aside, a solid proportion – around 30 per cent – of Finnish forestry products like plywood, wood pulp and sawn goods headed to EFTA members. Any competitive edge that these industries had developed was likely to be lost were the country excluded from the Seven’s free trade infrastructure.⁴⁰ In retrospect it had appeared likely that the worst effects of this discrimination would be allayed by the creation of a Nordic Common Market first touted in 1954. By mid-1959, however, progress with the EFTA negotiations was such that these Nordic-centric plans were effectively shelved and Finland was left without a viable institutional outlet for its exports. This fact alone was used by Sweden, Norway and Denmark to argue in favour of Finnish membership.⁴¹

³⁶ Statement of Finnish Representative at Meeting of Stockholm Group, 21.7.1959, EFTA-1014, HAEU; Coulson note, 24.7.1959, DO 35/8394, TNA. The best Finnish policymakers could hope for was being informed privately of the Seven’s progress through ad hoc meetings with the various heads of national delegations. This led to a terrific argument between the Swedes and Brits, see Notat angående Finland och de yttre sju, 3.8.1959, H92 A, Volume 3, EFTA Europeiska Frihandelsområdet 1959–1974, UD, Swedish National Archives (Riksarkivet), Stockholm [henceforth SNA]; Finland and the Stockholm Group by D.A.H. Wright, undated, T 337/41, TNA.

³⁷ Aide-Memoire, 19.11.1959, EFTA 213/59, 98.B.2/Finland pk. I box 14301, DNA. The request met with strong domestic approval: 143 members of parliament voted in favour of the move and 49 – all communist – against, see Correspondent, “Finland to Talk With The Seven”. The Times 18.11.1959.

³⁸ Untitled report attached to Rumbold minute, 6.11.1959, DO 35/8394, TNA. The Seven initialled the draft on 20 November 1959 and formally signed the Convention on 4 January 1960 before it came into force on 3 May 1960.

³⁹ See af Malmberg 1997, 69–71.

⁴⁰ Board of Trade to Miller, 1.4.1959, FO 371/142873, TNA.

⁴¹ Minutes of 1st Ministerial Meeting at Saltsjöbaden, 21.07.1959, EFTA-499, HAEU; Stockholm to FO, tel. no. 246, 21.07.1959, PREM 11/2828, TNA.

What Scandinavian motives chiefly reflected, though, was an understanding of the broader Cold War implications of Finland's exclusion from EFTA. This reasoning was articulated most forcefully by the Swedish Minister of Trade, Gunnar Lange, during Stockholm's summer diplomatic offensive in which it tried to convince doubters among the Seven of the case for Finland's entry:

*Sweden's whole attitude towards Finland depends on maintaining its economic and political viability [...] If Finland could not join or be associated with the Seven, her industry, especially timber, wood products and pulp, would be at a disadvantage compared with those of Sweden and some other Western countries. Finland would inevitably be drawn towards the Soviet bloc.*⁴²

The upshot of Sweden's position was that, however fraught negotiations with Helsinki might prove and however much of a risk the Finno-Soviet nexus might well be, overriding all this was the strategic imperative to have Finland wedded economically to the West.

On this matter the Swedes received extensive support from the United States. Outwardly at least it might have seemed implausible that Washington would give much thought to the matter. After all, it was well known at the time that the Americans were decidedly cool to EFTA itself.⁴³ But equally the US appears to have viewed as crucial Finland's continued status as a neutral state. Finland, after all, had long been spoken of strategically as the primary buffer against a Soviet invasion of the entire Scandinavian peninsula. And symbolically its independence was regarded as the ultimate illustration of resistance to Soviet power.⁴⁴ Already by January 1954 a combination of Finland's increased reliance on exports to Eastern Europe, the strong electoral performance of the Finnish communist party, and a steep rise in unemployment, had led the US National Security Council (NSC) to conclude this status was under threat.⁴⁵ Developments seemed only to reinforce this view. Among the more serious were Finland's growing dependence on Eastern bloc fuel resources, a renewed crackdown on anti-Soviet press, splits in the Western-leaning

⁴² Hankey to FO, tel. no. 246, 15 August 1959, T 236/6094, TNA. See also af Malmberg 1997, 70–71.

⁴³ Holliday note, 2 November 1959, FO 371/142608, TNA. US hostility came as a result of the fear that a new economic bloc would undermine the EEC, weaken the cohesion of Western Europe, and increase discrimination against American exporters. See i.e. Miriam Camps, *Britain and the European Community 1955–1963*. Princeton University Press, Princeton 1964, 236–244.

⁴⁴ *FRUS 1958–1960*, Volume VIII, Document 417: Statement of Policy Proposed by the National Security Council (NSC 5403), 12.1.1954.

⁴⁵ *Ibid.* The US had felt that the 'safety limit' – that is, the point at which Finland would become too reliant on Soviet trade – was around 20–25 per cent. The figure for 1953 cited above was some way above this. For more see Hannu Rautkallio, *Paasikivi vai Kekkonen. Suomi lännestä nähtynä 1945–1956*. Tammi, Helsinki 1990.

social democrats, communist success in the July 1958 parliamentary elections, the ensuing ‘night frost crisis’ – a result of the communists’ exclusion from office – and the resultant Soviet economic blockade of Finland.⁴⁶ According to a July 1959 report by the Operations Coordinating Board that reported directly to the NSC, the combination of these developments was such that ‘Finland remains, in almost any conceivable circumstance, vulnerable to Soviet economic and political pressures’.⁴⁷

And yet the US appeared uncertain about quite what more it could do to arrest this trend. Periodically after 1954, and again in 1958, Washington had offered Finland targeted economic assistance in the form of loans, funnelled through the World Bank, for industries like woodworking and shipbuilding. Given these earlier efforts it was unclear what further financial aid now would achieve.⁴⁸ Nor was it a given that Finland would or could accept further aid. On the contrary, developments such as the launch of the Sputnik satellite in October 1957 and the November 1958 ultimatum that the Western powers withdraw their forces from Berlin, appeared from an American perspective at least to indicate quite how volatile and unpredictable was Khrushchev’s Kremlin. Viewed against this light, the Americans acknowledged that Helsinki would need to tread carefully in terms of assistance from the US so as to avoid triggering any rash Soviet response.⁴⁹

It was here that the Seven’s free trade talks suddenly mattered. A memo penned by John D. Hickerson, then US Ambassador to Helsinki, captures well the link with American foreign policy:

The importance of the Seven plan to Finland, whether Finland joins or is forced to back away, can scarcely be overemphasized. If Finland moves forward [...] it will be a major step toward real independence and the establishment of

⁴⁶ For American assessments of these events, *FRUS* 1958–1960, Volume X, Part 2, Document 181: Hickerson to State, 10.7.1958; *FRUS* 1958–1960, Volume X, Part 2, Document 190: Hickerson to State, 13.10.1958; *FRUS* 1958–1960, Volume X, Part 2, Document 191: Elbrick to Herter, 20.10.1958; *FRUS* 1958–1960, Volume X, Part 2, Document 206: Harvey to State, 4.6.1959; *FRUS* 1958–1960, Volume X, Part 2, Document 208: Hickerson to State, 17.7.1959. For background on these developments more generally see for instance Aappo Kähkönen, *The Soviet Union, Finland, and the Cold War: The Finnish Card in Soviet Foreign Policy, 1956–1959*. SKS, Helsinki 2006; Jussi M. Hanhimäki, *Scandinavia and the United States: An Insecure Friendship*. Twayne, New York 1997, 93; *Soviet Foreign Policy toward Western Europe*. Edited by George Ginsburgs and Alvin Z. Rubinstein. Praeger, New York and London 1978.

⁴⁷ *FRUS* 1958–1960, Volume X, Part 2, Document 207: Operations Coordinating Board Report on Finland, 1.7.1959.

⁴⁸ *FRUS* 1958–1960, Volume X, Part 2, Document 209: Dillon to US Embassy Helsinki, 27.7.1959. For the discussion on the dollar loan delivered in 1958 see *FRUS* 1958–1960, Volume X, Part 2, Document 186: Elbrick to Dillon, 12.9.1958.

⁴⁹ *FRUS* 1958–1960, Volume X, Part 2, Document 203: Hickerson to State, 11.12.1958. For more on how these events influenced Soviet-Finnish ties, Risto E. J. Penttilä, *Finland’s Search for Security through Defence, 1944–89*. Palgrave Macmillan, New York 1991, 77–92.

*further long-term and binding economic ties with the West; if Finland should back down in the face of Soviet pressure, it will be another major step toward greater dependence, political and economic, on the USSR.*⁵⁰

A reading of Hickerson's correspondences do admittedly reveal a diplomat prone to pessimism. So seemingly widespread was this line of reasoning however that his successor, Edson O. Sessions, would think much the same.⁵¹ And by 14 October President Dwight Eisenhower himself approved an updated NSC policy document, NSC 5914, the central argument of which held that Finland's exclusion from the integrationist currents of the 1950s was 'of such far-reaching importance that it may ultimately be a major determinant of Finland's fate as an independent and Western-oriented country'. The only logical deduction, so the document argued, was that the US needed to 'support efforts directed at closer cooperation between Finland and other West European countries, particularly those of Scandinavia' with a view to 'reducing Finland's sense of isolation and strengthening its confidence in dealing with the USSR'.⁵² The Americans, in other words, appeared to champion Finnish inclusion in the Western European integration efforts of the 1950s, seemingly recognised EFTA as the most appropriate forum in which to do so, and were even prepared somehow to assist to make sure it happened.

Given what was at stake, the Americans lost little time in conveying their thinking to the Seven. US officials for instance made good use of NATO's North Atlantic Council to voice anxieties over perceived growing Soviet influence.⁵³ In November the US Embassy in Stockholm then notified the Swedish government directly about what it regarded as both the political merits of Finland's joining EFTA and, more pointedly, the responsibility which fell on the Seven swiftly to open negotiations with Helsinki.⁵⁴ That Britain's Ambassador to Washington, Sir Harold Caccia, would write a telegram that same month imploring his government to 'demonstrate by appropriate action' that 'EFTA is not only harmful to [US] interests but, in fact, positively helpful' suggests that the British were almost certainly given the same message.⁵⁵ Even if not, a consensus did nevertheless begin to emerge in Whitehall that support for Finnish membership might bolster EFTA's stature within the

⁵⁰ *FRUS* 1958–1960, Volume X, Part 2, Document 208: Hickerson to State, 17.7.1959.

⁵¹ E.g. *FRUS* 1958–1960, Volume X, Part 2, Document 216: Sessions to State, 2.2.1960.

⁵² *FRUS* 1958–1960, Volume X, Part 2, Document 213: Statement of US Policy Toward Finland (NSC 5914), 14.10.1959.

⁵³ See i.e. Committee of Political Advisors: Trends and Implications of Soviet Policy, AC/119-WP(59)30, 2.3.1959, NATO Archives Online [henceforth NAO]; Committee of Economic Advisors: Experiences of Certain Free World Countries, AC/127-WP/36, 9.7.1959, NAO; The Economic Offensive of the Sino-Soviet Bloc, C-M(59)103, 8.12.1959, NAO.

⁵⁴ Erlander to de Besche, 6.11.1959, H92 A, Volume 7, EFTA Europeiska Frihandelsområdet 1959–1974, UD, SNA.

⁵⁵ Washington to FO, tel. no. 2325, 4.11.1959, FO 371/142608, TNA.

Eisenhower administration.⁵⁶ Against this backdrop it would become ever harder to continue putting off tackling the Finnish question.

Negotiating membership

With the sheer variety of challenges presented by a Finnish bid, it was perhaps inevitable that a degree of caution would remain attached to the whole issue. Certainly the Scandinavians made obvious their despondence over rumours that Britain remained lukewarm on enlargement.⁵⁷ Nor on closer examination were these complaints entirely unjustified. Apparent from a reading of Foreign Office and Treasury files indeed is that a critical mass of UK policymakers would for some time remain adamant that the benefits accrued from helping Finland to maintain her links with the West were unlikely to outstrip the sort of risks already mentioned above.⁵⁸ More generally however there was a more substantial British recognition that, for political reasons, Finland could not be abandoned.⁵⁹ The combined effect of timing, Swedish pressure, and US involvement appears to have been such that the Seven more generally would approach the Finnish question with a fresh urgency. As early as 26 October delegations in Saltsjöbaden had thus exchanged preliminary views with the Finns.⁶⁰ Throughout the weeks and months which followed the Seven would meanwhile agree among themselves the procedural aspects involved prior to two further EFTA-Finland exploratory meetings held on 15 January and 25/26 February.⁶¹ It was here that responsibility for negotiating with Finland was handed to the 15 person Preparatory Committee, led by Sweden's Ingemar Hägglöf, which had already been established to set up EFTA's own institutions.⁶² From these discussions also emerged the suggestion that Olavi Munkki – the head of the foreign trade section in the Finnish Foreign Ministry tasked with leading the team negotiating with EFTA – both define and, more crucially, limit as early as possible those elements

⁵⁶ Washington to FO, No. 2395, 12.11.1959, FO 371/142608, TNA; EFTA and Finland: Annex to Brief for Heath's Visit to Stockholm, November 1960, FO 371/150328, TNA.

⁵⁷ FO to Helsinki, No. 266, 29.10.1959, MAF 322/26, TNA; Helsinki to FO, No. 308, 17.11.1959, T 236/6094, TNA.

⁵⁸ Makins to Gore-Booth, 17.9.1959, T 236/6094, TNA; Bush to Bristow, 16.10.1960, FO 371/142626, TNA; Barclay minute, 8.2.1961, FO 371/159309, TNA.

⁵⁹ Carston to Busk, 1.12.1959, FO 371/142627, TNA; Confidential note, 635/43/01, undated, T 236/6094, TNA.

⁶⁰ Summary Record of Meeting, 19.11.1959, EFTA-522, HAEU; Aide-Memoire, 19.11.1959, EFTA 213/59, 98.B.2/Finland pk. I box 14301, DNA.

⁶¹ Note of Meeting between Officials of the Seven and a Finnish Delegation, 15.1.1960, EFTA-1014, HAEU; Confidential Aide-Mémoire transmitted by Finnish Delegation, EFTA 5/60, 15.1.60, EFTA-5, HAEU.

⁶² Summary record of Fifth Meeting of Preparatory Committee, EFTA P.C. 5/60, 24 February 1960, Preparatory Committee Documents 1–13 1960, EFTA Geneva.

of the Stockholm Convention from which Finland would most expect to deviate. This ensured that as the formal opening of negotiations, planned for 22–24 March at EFTA's headquarters in Geneva, approached, Helsinki had dramatically scaled down the potentially numerous areas of conflict to three basic categories: the institutional form of relations between Finland and the Seven, provisions on import tariffs and quantitative import restrictions, and the MFN.⁶³ The upshot of these efforts was that when the Preparatory Committee convened to assess preliminary progress, they were able to assert that while 'several difficulties' required attention, Finland's entry to EFTA was both desirable and feasible.⁶⁴

Initial signs that the negotiations, which would continue unabated until the end of May, would overcome these difficulties were encouraging. Of the three topics listed by Munkki, that of institutional arrangements would prove the easiest to deal with. At the heart of the matter lay Article 41 of the Stockholm Convention, under which a state could associate with EFTA (Paragraph 2) or apply to join in full (Paragraph 1). The Finnish themselves seemed unsure of which route to take. Speaking to American Undersecretary of State Douglas Dillon, Finland's Foreign Minister, Ralf Törnngren, had speculated that only 'a kind of associate membership in the Seven' would be acceptable to the Soviets.⁶⁵ Munkki muddied these waters, pointing out that while association was serviceable, Finland stood ready to push for entry on par with existing members including full voting rights in the Seven's governing body, the EFTA Council.⁶⁶ That Soviet views of EFTA were coming into clearer view had almost certainly given greater urgency to resolving this question with haste.⁶⁷ As Roy Allison's detailed study of Finno-Soviet relations demonstrates, the tenor of Soviet policy had appeared to morph from complete hostility to the mere suggestion of Finland acceding to the Seven into a somewhat softer tone. As much was confirmed in the October 1959 public affirmation by Deputy Soviet Prime Minister Anastas Mikoyan that Finland's entry into EFTA was a decision for politicians in Helsinki and not Moscow, albeit on the proviso that Finland did nothing to 'weaken the conditions for the development of Finnish-Soviet trade'.⁶⁸ This necessitated a level of politicking on the part of the Seven. On the one hand, the chance of the Soviets exploiting Finland's place in EFTA for their own ends was in light of Mikoyan's

⁶³ Report from the Finnish Embassy London, 3.2.1960, EFTA-1014, HAEU; Aide-Mémoire transmitted to the EFTA Heads of Delegations by the Finnish Delegation, EFTA 5/60, 12.1.1960, EFTA-5, HAEU. Agriculture was another issue but one usually dealt with bilaterally. For more see Seppinen 1997, 160ff.

⁶⁴ Holliday to Busk, 16.2.1960, FO 370/150307, TNA.

⁶⁵ *FRUS* 1958–1960, Volume X, Part 2, Document 214: Memorandum of Conversation, 23.10.1959.

⁶⁶ Minutes of Meeting between Representatives of EFTA Countries and a Finnish Delegation on 25–26 February, 27.2.1960, FO 371/150308, TNA.

⁶⁷ Record of meeting with Finnish Delegation, EFTA 52/60, 22–24.3.1960, EFTA-5, HAEU.

⁶⁸ Roy Allison, *Finland's Relations with the Soviet Union*. Macmillan, London 1985, 120.

statement thought still much too real to warrant full membership.⁶⁹ Motivated it would appear by a genuinely held desire to firmly root the Finnish within the Association, however, there existed the equally strong belief among the Seven that Finland could not be seen to have an inferior membership status. The opportunity to compromise thus arose whereby Finland, even as an associate, would be allowed to sit as a member of an enlarged Council, one of eight states of equal standing each with a vote on policy matters and the right to chair Council sessions. In return, Finnish representatives would vow not to veto any decision otherwise supported by the Seven. In such circumstances that they did, Finland would be expected to withdraw from the Association completely.⁷⁰

Compromise was again in the offing once the subject of the negotiations turned to quantitative imports restrictions and tariffs. Regarding the former (Article 10 of the Convention), the British alone took fault with the logic that Finland's deteriorating balance of payments and existing trade pacts with the Soviets precluded increasing the existing share of imports already allocated to EFTA countries for commodities like liquid and solid fuels.⁷¹ On tariffs (Article 3), Munkki had been at pains to stress that certain industries – in particular textiles, metal producers and woodworking – were special cases for Finland. All three were prominent regional businesses; in Tampere alone over half the 35,000 industrial workforce were employed in the textile sector.⁷² With Finland already importing 4,850 million Finnmarks worth of textiles from other countries, it was, according to Munkki, vital that existing import tariffs remain in place. Doing otherwise would generate unemployment, draw the wrath of trade unions, and 'would have serious implications for the communist vote'.⁷³ As the negotiations on 5–7 April showed, the Scandinavians and Swiss were clearly receptive to this message. Denmark's representative urged 'concessions to the Finns on political grounds'. His Swiss equivalent likely noted that in 'normal negotiations' Berne would 'not give ground at this point' but that 'in the case of Finland it would not be understood in Switzerland if the negotiations failed'. For the Austrians and British, by contrast, a ten-year transitional period and escape clause, both already components of the Convention, were thought already adequate protection.⁷⁴ That in both cases a deal was eventually reached doubtless owed much to the skill shown

⁶⁹ Association of Finland with EFTA: Report to Governments, EFTA 59/60, 7.4.1960, EFTA-1014, HAEU.

⁷⁰ *Ibidi*; Working Part on Article 41: Accession and Association, EFTA 54/60, 31.3.1960, EFTA-5, HAEU.

⁷¹ Record of meeting with Finnish Delegation, EFTA 52/60, 22–24.3.1960, EFTA-5, HAEU.

⁷² Memorandum on Some Aspects of the Finnish Textile Industry with regard to the EFTA, attached to Association of Finland with EFTA, 52/60, 24.3.1960, EFTA-5, HAEU; Report from the Finnish Embassy London, 3.2.1960, EFTA-1014, HAEU.

⁷³ Robinson to Gallagher, 25.3.1960, FO 371/150312, TNA.

⁷⁴ Association of Finland with EFTA: Report to Governments, EFTA 59/60, 7.4.1960, EFTA-1014, HAEU.

by Hägglöf.⁷⁵ Fundamentally, though, it was the political pall hanging over the talks which saw the Seven give ground.⁷⁶ The result was that quantitative restrictions would remain but be kept under review. And while specific products would not be listed as exempt under Article 3, compared to the Seven Finland would be given an extra two years – until January 1972 – to eliminate its industrial tariffs, with the schedule for reductions phased more slowly.⁷⁷

Buoyed by this momentum, the Seven and Finland were able to finalise the terms of an association and present it to ministers at the EFTA Council in Lisbon on 20 May.⁷⁸ Yet it would be mistaken to regard this as a major advance. For Munkki's statement to the Council – that negotiations had shown it was 'possible to create an association' but that there was 'no general solution' to the MFN question, and hence he would delay initialling the so-called Lisbon Draft Agreement (LDA) until further notice – was a sobering reminder of the constraints acting on Finland.⁷⁹ Until this point Munkki had assured the Seven that there was a good chance the Soviets could be persuaded not to enforce their MFN claim. Bilateral talks between Helsinki and Moscow had thus ran concurrently with the EFTA negotiations.⁸⁰ What had seemingly changed by late-May was the wider international context. According to Ahti Karjalainen, the Finnish Minister of Commerce, Finland remained 'determined to associate' but a meeting at the Kremlin days before the May EFTA Council had seen Soviet officials 'only talk about the United States aircraft' – likely reference to the U2 incident of 1 May. This meant the atmosphere was simply too tense to raise the MFN.⁸¹ Törnngren was more brisk in his assessment, telling the British ambassador to Finland that 'Russia's tactics were to prevent Finland's joining EFTA by simply not

⁷⁵ Hägglöf was described by British lead delegate Sidney Golt as having acted 'really admirably – with imperturbable patience and courtesy, but always keeping the business of the meeting moving, and always maintaining scrupulous fairness in presenting the not always completely coordinated views of the Seven', Golt to Holliday, 8.4.1960, FO 371/150314, TNA.

⁷⁶ Assistant under-secretary in the FO, Roger Jackling, would write for instance: 'I hope very much that we can agree to make a concession on textiles [...] the success of these negotiations is of great political importance both to Finland and to the West, and we must do all we can to ensure that the responsibility for any failure is not laid at our door'. Jackling to Owen, 6.5.1960, FO 371/150316, TNA. See also Jensen-Eriksen 2004, 213–215.

⁷⁷ Record of meeting with Finnish Delegation, EFTA 52/60, 22–24.3.1960, EFTA-5, HAEU; Association of Finland with EFTA: Report to Governments, EFTA 59/60, 7.4.1960, EFTA-1014, HAEU.

⁷⁸ Summary Record of Council Meeting, EFTA/C 2nd Meeting/60 (Final), 20.5.1960, C.SR 1960, EFTA-190, HAEU.

⁷⁹ Statement by Delegate of Finland to Council, EFTA 87/60, 20.5.1960, EFTA-1015, HAEU.

⁸⁰ Aide-Mémoire transmitted to the EFTA Heads of Delegations by the Finnish delegation, EFTA 5/1960, 12.1.1960, EFTA-5, HAEU; Association of Finland with EFTA: Report to Governments, EFTA 81/60, 6.5.1960, EFTA-1015, HAEU. For Finland's talks with the Soviet Union, Seppinen 1997, 186ff.

⁸¹ Helsinki to FO, tel. no. 145, 21.5.1960, FO 371/150317, TNA.

negotiating with her on the MFN question'.⁸² And Munkki himself would later claim that Khrushchev's 'intention had been to persuade the Finns to abstain from their planned cooperation with the EFTA group'.⁸³

Whatever the reason, Munkki's comments at the May EFTA Council sparked off a near total deadlock which would last several months. Not until the autumn did talks between Finland and EFTA resume.⁸⁴ Even then the Finnish gave no indication of having been able to reach a solution with the Soviets. On the contrary, his visit to the Secretariat in Geneva on 4 October saw Munkki outline plans to solve the MFN question by obtaining a GATT waiver, an idea quickly shot down as too broad in scope to be workable.⁸⁵ Then a month later EFTA headquarters received word that with Finland's President Urho Kekkonen had committed to retaining the MFN commitment with the Soviet Union in full.⁸⁶ Confirmation of this was delivered by Munkki to the EFTA Heads of Delegations on 2 November. True, the Soviets would now sanction Finland's association with EFTA. The price, however, was not simply the lack of any substantive Soviet compromise on the MFN, but conversely also an obligation to sign an updated Finno-Soviet trade agreement which stood in effect to validate this MFN status through the extension to the Soviet Union of the same tariff terms already obtained from the Seven.⁸⁷

Unsurprisingly, EFTA responded with dismay bordering on indignation. Even Finland's more ardent supporters were vocally critical to the point of discussing openly whether the Seven could live with the Finnish-Soviet trade agreement and, by implication, Finland's association with EFTA. The Swedes would for instance term the agreement 'wholly objectionable'.⁸⁸ Denmark's head delegate, Niels Skak-Nielsen, went further: the Seven, he told Munkki direct, 'would be obliged to reconsider their entire position [on] the draft agreement for the association of Finland with EFTA'.⁸⁹ The Austrians, for their part, speculated whether the virtually one-sided extension of EFTA membership to the Soviet Union would not now contravene

⁸² Helsinki to FO, no. 11611, 17.8.1960, FO 371/150320, TNA.

⁸³ Finnish Situation as Explained by Munkki, SGN 5/60, 4.10.1960, Secretary-General's Notes 1960, EFTA-349, HAEU.

⁸⁴ During this period, updates on Finland's discussions with Moscow, which continued throughout, were often fed back to EFTA via the Swedish delegate, for instance Summary Record of Council Meeting, EFTA/C 10th Meeting/60 (Final), 28.57.1960, C.SR 1960, EFTA-190, HAEU.

⁸⁵ *Ibid.*; Deputy Secretary-General to Heads of Delegations, SGN 8/60, 24.10.1960, EFTA-349, HAEU. The Secretariat was EFTA's administrative arm based in Geneva overseeing the day-to-day functioning of the Association.

⁸⁶ Communique Issued on Meeting between Kekkonen and Khrushchev, EFTA 207/60, 4.10.1960, EFTA-1017, HAEU.

⁸⁷ Record of Heads of Delegations Meeting, EFTA/HOD 2/60, 2.11.1960, EFTA-390, HAEU. For Finnish motives see Seppinen 1997, 244–253.

⁸⁸ Record of Heads of Delegations Meeting, EFTA/HOD 4/60, 17.11.1960, EFTA-390, HAEU.

⁸⁹ Record of Heads of Delegations Meeting, EFTA/HOD 2/60, 2.11.1960, EFTA-390, HAEU.

the State Treaty upon which its own neutrality was predicated.⁹⁰ To this was added Britain's Edgar Cohen's remark that it was 'important and urgent to bring all pressure on Finnish ministers to dissuade them from entering into an agreement that EFTA could not accept'.⁹¹

As the shock subsided, however, it soon became apparent that the Seven's options were much less clear-cut than might originally have been assumed. The negative consequences of Finland's MFN obligations to the Soviet Union were of course well known. That the new agreement appeared to have been forced on the Finnish rather than emerging from a design of their own making, however, arguably made the case of Finland's entry into EFTA all the stronger.⁹² And even if the Seven were now to shun Finland, the simple act of confirming its MFN obligations to the Soviets without replicating them elsewhere would mean that Helsinki was still in breach of GATT rules. Blocking the Finnish from joining EFTA therefore promised to solve very little.⁹³ Faced with this, Finnish association would, it was generally assumed, go ahead in some form.⁹⁴ To be sure, repeated overtures were made over the following weeks in the hope of discouraging the Finnish government from adopting the agreement to start with.⁹⁵ But such efforts were to prove futile, and by the time the Finnish-Soviet trade pact was formalised on 24 November the Seven had grudgingly accepted it as a reality which would need to be accommodated. Precisely how to do this was, though, no easy task. As EFTA's inaugural Secretary-General Frank Figgures spelt out in a report commissioned by ministers, concrete measures would be needed to ensure that Finland's presence in Geneva, first, did not make existing members any less able to resist pressure to extend EFTA tariff treatment to the Soviet Union and, second, did not impede the effective internal workings of the Association.⁹⁶ Until these were solved Finland's joining EFTA could not be guaranteed.

Available was the opportunity to revisit how Finland was to be incorporated into EFTA. It was widely assumed that the institutional structure conceived in the LDA, with Finland part of an enlarged Council of eight that handed it a veto and both chairing and voting rights, was no longer viable. A much clearer demarcation of membership status, with Finland somehow segregated from the core EFTA

⁹⁰ Record of Heads of Delegations Meeting, EFTA/HOD 7/60, 7.12.1960, EFTA-390, HAEU.

⁹¹ Record of Heads of Delegations Meeting, EFTA/HOD 2/60, 2.11.1960, EFTA-390, HAEU.

⁹² *FRUS* 1958–1960, Volume X, Part 2, Document 226: Sessions to State, 10.11.1960.

⁹³ The dichotomy facing the Seven was best surmised in Finland: Note by the Secretary-General to Heads of Delegations, EFTA/SGN 10/60, 4.11.1960, EFTA-349, HAEU.

⁹⁴ Association of Finland with EFTA: Note by the Secretary-General to Heads of Delegations, EFTA/SGN 13/60, 8.11.1960, EFTA-349, HAEU.

⁹⁵ *FRUS* 1958–1960, Volume X, Part 2, Document 227: Herter to US Embassy Helsinki, 14.11.1960; Record of Heads of Delegations Meeting, EFTA/HOD 4/60, 17.11.1960, EFTA-390, HAEU.

⁹⁶ Association of Finland with EFTA: Note by the Secretary-General to Heads of Delegations, EFTA/SGN 20/60, 17.12.1960, EFTA-349, HAEU.

policymaking machinery, would instead be necessary.⁹⁷ Numerous options were proposed. The Swedish plan was perhaps the most determined in seeking to place few additional conditions on the Finnish. This envisaged a simple protocol added to the existing LDA under which Finland would retain membership of the Council of eight but, when politically sensitive topics such as relations with the EEC were discussed, the Seven would be allowed to invite Finnish diplomats to leave the room.⁹⁸ Similarly, Figgures' own suggestion foresaw Finland retaining what in essence was equal status with the Seven. Where it differed was in the creation of an additional 'Joint Council' comprising all eight states beside the existing Council of seven. This, he declared, was 'presentationally advantageous' since it distinguished Finland from a full member even if the commercial content of the relationship laid out in the LDA remained much the same.⁹⁹ Other suggestions, though, were much more radical in scope. In being so, they served to highlight just how intense still was the degree of hostility to Finnish actions. Perhaps most drastic was the Swiss draft calling for a much weaker free trade arrangement governed by an ad hoc liaison committee which, if enacted, would have effectively vetoed Finnish EFTA membership in all but name.¹⁰⁰ Nor did the Portuguese appear to be fans of Finnish behaviour. One particularly ill-tempered Heads of Delegation meeting on 15 December saw its representative, Antonio Guerra, launch a scathing attack on what he saw as the undue eagerness with which the Seven had earlier been prepared to accommodate Finnish requirements. The upshot, he claimed, was that the LDA 'was a serious mistake, it was much too lenient and it was not necessary to go so far towards making Finland almost a member state'.¹⁰¹

Accurate or not, the result of these contradictory visions was that towards the end of 1960 there existed no coherent EFTA policy on the arrangements for Finland's association. Yet the extent to which this mattered was not immediately certain. After all, refinements to the LDA and institutional innovations would in practice count for little if GATT did not first sanction Finland's membership of EFTA and, as part of this, come to accept its trade agreement with the Soviet Union. As was evidenced by repeated statements Cohen made to his fellow Heads of Delegations, if its Contracting Parties could successfully demonstrate Finland's MFN commitment to the Soviet Union was a solitary exception unlikely to be tolerated elsewhere,

⁹⁷ Association of Finland with EFTA: Informal Meeting of Ministers in Paris, 12.12.1960, EFTA-1006, HAEU.

⁹⁸ Association of Finland with EFTA: Note by the Swedish Delegation, 4.1.1961, EFTA-1017, HAEU.

⁹⁹ Association of Finland with EFTA: Note by the Secretary General, EFTA/SGN 25/60, 2.12.1960, EFTA-349, HAEU.

¹⁰⁰ Association of Finland with EFTA: Swiss Working Paper, EFTA/SGN 21/60, 20.12.1960, EFTA-349, HAEU.

¹⁰¹ Record of Heads of Delegations Meeting, EFTA/HOD 8/60, 15.11.1960, EFTA-390, HAEU.

GATT might also emerge as the best method through which to insulate the Seven from Soviet pressure.¹⁰² Emphasis therefore pointed increasingly to devising a GATT solution as a possible fix for the EFTA stalemate.

This inevitably drew the United States back into the conversation. The State Department and US Embassy in Helsinki had in fact been closely following the twists and turns of Finland's negotiations with the Seven throughout 1960, and had speculated as early as February that some sort of accommodation for Finland inside GATT might be required.¹⁰³ Sessions had moreover found it necessary during the course of the year to feed back to Washington his wider concerns about the fragility of the Finnish government's commitment to the West. Successive memorandums spoke somewhat sensationally of what Sessions dubbed the 'prevalence of a fatalistic concept of Fenno-Soviet relations' among some of the political class, noting both President Kekkonen's apparently all too ready disposition to meet Soviet policy demands even if guided by a 'devotion to Finland's welfare' and what was regarded as a burgeoning communist foothold in the trade union movement. All this led the Ambassador to write: 'Finland is drifting away from a course toward neutrality to one which, in effect, grants the Soviet Union – and encourages the Soviet Union to exercise – an increasingly influential voice in Finnish affairs'. The breakdown that would emerge so starkly at the May EFTA Council was already anticipated as a further conceivable symptom of what Sessions termed 'Finnish subservience'.¹⁰⁴

In mid-1960 this trend had been partially held in check by a more officious diplomatic strategy, spearheaded by the US but with British help, designed, as the US Secretary of State Christian Herter would put it, to 'strengthen [the] President's backbone'.¹⁰⁵ Among the courses of action chosen were an invitation for Kekkonen to undertake a state visit to Britain hosted by The Queen, the decision to provide the Finnish government with State Department diplomatic reports, and help arranging cultural visits of well-known European figures to Finland with a view of easing any sense of isolation from the West.¹⁰⁶ When by November word came through of Finland's intention to confirm its MFN treatment of Soviet trade, it did not take much to translate this existing scheme into a readiness to 'ensure some form of association between Finland and EFTA'.¹⁰⁷ Confronted by the same, if not more profound

¹⁰² Record of Heads of Delegations Meeting, EFTA/HOD 4/60, 17.11.1960, EFTA-390, HAEU; Record of Heads of Delegations Meeting, EFTA/HOD 9/60, 19.12.1960, EFTA-390, HAEU.

¹⁰³ *FRUS* 1958–1960, Volume X, Part 2, Document 216: Sessions to State, 2.2.1960; *FRUS* 1958–1960, Volume X, Part 2, Document 220: Herter to US Embassy Helsinki, 23.2.1960; *FRUS* 1958–1960, Volume X, Part 2, Document 222: Operations Coordinating Board Report – Operations Plan for Finland, 27.4.1960.

¹⁰⁴ *FRUS* 1958–1960, Volume X, Part 2, Document 221: US Embassy Helsinki to State, 25.3.1960.

¹⁰⁵ *FRUS* 1958–1960, Volume X, Part 2, Document 227: US Embassy Helsinki to State, 14.11.1960.

¹⁰⁶ *FRUS* 1958–1960, Volume X, Part 2, Document 225: US Embassy Helsinki to State, 19.9.1960. Kekkonen's state visit would take place from 8–13 May 1961.

¹⁰⁷ *FRUS* 1958–1960, Volume X, Part 2, Document 226: US Embassy Helsinki to State, 10.11.1960.

constraints which in 1959 had prevented any overt US intervention, the Americans once more resorted to the lower key method of working with EFTA members on resolving the MFN issue in GATT.¹⁰⁸ On 1 December, Dillon met informally with Britain's Chancellor of the Exchequer Selwyn Lloyd, where he referenced the 'overriding importance of political considerations' regarding Finland and confirmed that the US would work 'behind the scenes' in GATT to ensure 'acquiescence' of the Finno-Soviet trade agreement.¹⁰⁹ Within weeks, Cohen had informed his fellow Heads of Delegations of Dillon's remarks. Explaining that with US support there was now a realistic chance of solving the MFN issue, Cohen reminded his colleagues that it was not only incumbent on EFTA to associate with Finland but also to press the case for this association at the international level. The Seven would consequently need to 'divide the field between them' to help convince other Contracting Parties not to raise objections to Finland joining EFTA despite the MFN treatment of Soviet trade. In light of this clarion call, Norway agreed to approach France and West Germany. Sweden would speak to Latin American countries like Brazil. And Britain would deal with members of the Commonwealth. The aim, Cohen surmised, was to ensure 'a conspiracy of silence' on the whole handling of the Finnish issue.¹¹⁰

Conclusions

It was not until May 1961, in its XVIII session, that Finland came finally to present its case to GATT. When it did, the Finnish had to endure an intense and prolonged rebuke of their decision to sign the trade agreement with the Soviet Union and maintain their trade ties with the Eastern bloc on most favoured nation terms. Yet the Contracting Parties, as was surely expected, would stop at the point of complete humiliation, and a final ruling on the terms of the treaty would be postponed almost indefinitely.¹¹¹ Already well before this date, however, the Heads of Delegations had recommended to ministers that there existed sufficient cause for Finland to associate with EFTA broadly on the institutional lines set out in Figgures' 'Joint Council' proposal.¹¹² That they did so was conditioned by the fact that, with US support in GATT secured, the outstanding issue of Finland's negotiations with EFTA – the MFN – appeared finally

¹⁰⁸ *FRUS* 1958–1960, Volume X, Part 2, Document 227: US Embassy Helsinki to State, 14.11.1960.

¹⁰⁹ Informal discussion between the Chancellor, Dillon and Fleming, 1.12.1960, FO 371/150330, TNA.

¹¹⁰ Record of Heads of Delegations Meeting, EFTA/HOD 10/60, 21.12.1960, EFTA-390, HAEU.

¹¹¹ Seppinen 1997, 293–297.

¹¹² Association of Finland with EFTA: Report by Heads of Delegations to Ministers, EFTA 26/61, 3.2.1961, EFTA-1, HAEU. For the agreement text see Draft Agreement on Association of Finland with EFTA, EFTA/WPF 4/61, 28.1.1961, EFTA-1007.

to be solved. The risks versus the benefits of its entry were such that the pendulum eventually tilted in Finland's favour.

As the discussion here has shown, this was never an outcome which could be taken for granted. Multiple were the reasons why the Seven were initially hesitant to allow Finland even to be present in Saltsjöbaden during the course of 1959. When they did begin, moreover, the negotiations which took place between March and May 1960 were also less than straightforward. Quite the opposite in fact: EFTA states appear to have been reticent to accept Finnish entry at any price. From the May EFTA Council, and in particular from the revealing of Finland's latest trade agreement with the Soviets in November, the Seven were thus engaged among themselves in a testy exchange of words during which it was at times uncertain whether Finnish association would receive the required consent. Ostensibly, though, the Seven look to have been more willing to make sacrifices knowing the broader strategic context in which negotiations with Finland were taking place. Put another way, the response of the Seven, pushing forward despite these setbacks, reflected an awareness that, while the economics had to be right, it was the politics that most mattered. Finland's association with EFTA was in this sense born of Cold War dynamics.

But EFTA's handling of Finnish membership also reflected the way in which transatlantic relations were key to unblocking the integrationist logjams that occurred along the way. It is debatable for example whether without US intervention all seven EFTA states might have been so prepared to initiate informal talks with the Finns in October 1959. Without US intervention, too, it looks as though the institutional disputes of November/December 1960 and January 1961 would have gone on to overwhelm the Association. To this end, Finland's association with EFTA was as much born of US influence.

