



U.S.-Finland Economic Relations 1917- 1945

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ABSTRACT

Following Finland's declaration of independence from the Russian Empire in 1917, the US established diplomatic relations with the country in 1919. Finland's economy was helped by a financial loan from the United States of America. As a young, fledgling nation, the United States expended a significant deal of effort in forging strong commercial relations with Finland. In 1933, President Franklin D. Roosevelt advocated the zero-interest proposal as a way to repay Finland's debt. Because of the Treaty of Amity and Commerce of January 13, 1934, Finland considers the United States to be an important commercial partner. During World War II, the United States broke diplomatic relations with Finland in 1944. The US government has declared a desire to investigate the potential of re-establishing diplomatic relations with Finland since October 1944. In 1945, diplomatic relations between Finland and the United States were restored. Finland is bordered on the east by Russia, and as a Soviet Union neighbor, it was of special interest and importance to the US both during and after the Cold War.

Keywords:

U.S, Finland, Economic, Relations.

Introduction

Finland is situated in the north-eastern corner of Europe, surrounded on the east by the Russian Federation (previously the Soviet Union), on the north by Norway, on the west by Sweden, and separated by the Gulf of Bothnia, which overlooks the Baltic Sea and the Gulf of Finland (Kistle, 1968). It is placed between 60 - 70 degrees north in the viewing rings, and some regard it to be Scandinavian. It has a total size of 338,000 square kilometers, including an estimated amount of inland water (12,190 square miles) (Griep, 2018). It has tens of thousands of lakes and islands. Finland has a maximum length of 724 meters and a maximum width of 337 meters, with forests accounting for 70% of the country's surface area (Holopainen, Vastaranta & Hyyppä, 2014). Finland declared independence from Russia in 1917, which was followed by civil conflict, wars

against the Soviet Union and Nazi Germany, and a Cold War period of official neutrality. Finland became a member of the United Nations in 1955, the Organization for Economic Cooperation and Development in 1969, the European Union in 1995, and the Eurozone in 1999 (Rainio-Niemi, 2014).

History of U.S.-Finland Economic Relations

Finland rapidly developed its economy in the nineteenth century, relying on its most abundant resource, timber, as a cash crop. Finland benefited from Europe's fast expansion, which had a limited supply of wood and the ability to manufacture sawn wood products that were used in railway links, props, and other construction materials. Furthermore, Finland has commercial marine resources that allowed traders to trade as far as the Mediterranean, assisting inhabitants in coastal

cities to improve their quality of life (Haapala et al., 2015). Connect the country's interior to the coast, allowing products to reach consumers faster. The Bank of Finland was established, as was the state's economic structure, to promote industrialisation and modernization in Finland. By 1910, Germany was Finland's greatest trading partner, followed by Russia and the United Kingdom (Morawski, 2017). As the industry grew, the total population grew from 865,000 in 1810 to 2,950,000 in the era of population boom. After a century, Finnish industry was unable to absorb all additional workers, and 380,000 Finns immigrated to the United States between 1870 and 1920. Prior to World War I, imports and exports between Finland and Russia totaled more than 100 million Finnish marks (Kostiainen, 2014). Many Russian enterprises and their owners grumbled about the influence of Finnish markets in the Russian Empire, enabling them to earn enormous profits, which drew the ire of many Russian companies and their owners, who complained about Finland's market power in the Russian Empire (Ollus, & Simola, 2006). As trade competition between Finland and Russia increased in the early 1880s, economic expansion drew Russia's attention to Finland's ongoing economic strength, leading to secession (Anzenberger, 2020). Russia also feared that Germany would use its clout in Sweden to persuade Finland to allow it to use Finland as a base for an invasion of Russia, prompting the troika campaign in 1899 and the February proclamation declaring Russia's dominance over Finland (Kirby, 1975). Finland's economy, in general, and particularly the lumber industry, are affected by the onset of World War I in 1914. In 1917, Finland declared independence, sparking a brutal civil war that eventually resulted in the formation of a Finnish republic (Kivimäki, 2012).

Economic Relations Between Finland and the United States After 1917

Since Finland's proclamation of independence from Russia on December 6, 1917, the United States has provided economic support to the new Finnish country, particularly in the area of food (Bush, 1991).

During the interwar period, the US and Finland had a good economic connection throughout the interwar period, which included a number of mutually advantageous loan repayment and trade agreements. As Jacob Cam points out, the United States went from being the world's largest city country to being the world's second largest creditor during the interwar period (Hanhimäki, 1995). Finland was the only European country paying its war obligations to America on a continuous basis on the eve of World War II. Days before the proclamation of independence, Finnish Trade Minister Von Kan Wndt called the US ambassador in Sweden to appeal for assistance in shipping food to the Finnish people, who were in desperate need (Chakrabarti & Lester, 2002). Von Wendt reassured the Americans that his people believed America would be able to help the Finns, but cautioned them that if they failed to do so, the Finnish government would accept German assistance, putting them firmly in the German camp. Assistance has been provided, and a strategy has been set up to transfer Finnish food to storage facilities in Sweden by unloading goods in Norway and by train (Anzenberger, 2020). Lansing emphasized that the United States' responsibility is limited to providing assistance and delivering food supplies to the Finnish people, who were in desperate need of such goods at the time. This food assistance to Finland has been a source of disagreement between the United States government, France, and Finland (Korppi-Tommola, 2008). Finland requested the purchase of food from the United States before to its independence, and in turn, the United States petitioned the Russian government to approve the selling of food to Finland by the United States (Anzenberger, 2020). In order to meet their needs, it is estimated that 2,000,000 tons of food per month will be required. However, the amount of food confiscated from the United States was estimated to be 1,200,000 tons, and once the United States entered World War I, Hoover's cargo was reduced to 700,000 tons per month, posing a significant problem for American policymakers who defended Finland's assistance (Anzenberger, 2020). Mr. Wilson

also demanded that the freeze on Finnish deposits in United States banks, which was estimated to be worth tens of millions of dollars, be lifted, arguing that it was harming the Finnish economy and removing the possibility of benefiting from the money in U.S. banks in order to raise people's living standards in Finland (La Mela, 2016). Because Finland was a fledgling young nation, the US expended a considerable deal of effort in forging strong economic ties with it (Chakrabarti & Lester, 2002).

Interwar economic relations

The repayment of loans provided by the US to Finland was one of the most important parts of the US-Finland relationship during the interwar period (Taebnia, 2020). On May 1, 1923, the United States entered into a debt arrangement with Finland, establishing the parameters for the repayment of almost \$9 million in outstanding Finnish debt. Finland paid off its ranked debt to the US and continues to through the 1929 stock market economic collapse (Oksanen, Aaltonen & Rantala, 2015). As a result, Roosevelt wanted to reward the Finns for their punctuality through a new proposal, a repayment plan, and under the President's plan, the interest on the debt owed to Finland would be waived. Finland was one of the foreign debtors who paid the United States on time (Anzenberger, 2020). On December 22, 1933, President Roosevelt suggested a zero-interest scheme to discharge Finland's debt to the State Department. Despite the fact that the Finnish government was willing to accept the thirty-year term, Congress did not approve the accord (Kronlund, 2019). This deal's failure did not have an impact on Finnish-American ties, as Finland continued to make its debt payments on schedule in accordance with the 1923 Agreement despite the inability to reach a solution. A large number of natural materials such as wood, pulp and minerals, which were sought after by the United States, were available in Finland, and trade between the two countries became profitable (Anzenberger, 2020). The United States and Finland began negotiations in 1923 to develop a trade pact that . On July 2, 1925, the agreement was

signed and both the Finnish and American governments ratified it (Savolainen, 2016). The two countries also agreed to abide by the quantum and other fees set forth in the January 1926 agreement. The Finnish government sought it through the Treaty of Friendship and Trade, which was signed on January 13, 1934. Since then, strong economic ties have been established, and Finland considers the United States to be an important trading partner (Hanhimäki, 1995). The goal of this pact was to develop long-term economic and trade cooperation, in part because the United States and Finland's debt commitments could be reduced if their trade balances were more balanced (Ryothonka, 1993). Among the Treaty's most important stipulations were:

1. Finland and the United States' citizens have been given the same rights to trade, travel, and dwell in both nations as local citizens. They were also promised that they would not be subjected to any additional taxes, that they would be granted legal rights, and that they would be able to enjoy property rights and security in accordance with international law.
2. In the event of injury or death, civil liability was assured by local legal rights.
3. Freedom of navigation in unrestricted territorial waters to ports, as well as freedom of trade, guaranteeing that no import charges are imposed and that imports are not prohibited.

The United States and Finland's economic relations have been extremely successful, and the two countries entered into a mutual trade agreement on May 18, 1936, under which the United States obtained preferential tariff privileges on a large number of agricultural products in exchange for Finland granting concessions on some minerals and timber. It is clear that the United States values Finland as a trading partner, and the two countries have consistently worked together to reach mutually beneficial trade agreements (Halmari., 2018). Despite a considerable reliance on human and animal labor, Finland's economy was centered

on agriculture during the interwar period (Kokkinen, 2011).

U.S.-Finland Relations During the Winter War

Finland's prompt and consistent repayment of its debt to the United States during the economic downturn aided the development of US-Finnish relations and influenced the American public, particularly when highlighted by the American press, resulting in sympathy for Finland among the American people (Suchoples, 2012). During the winter war, relations between the United States and Finland were enhanced, thanks to the efforts of former President Herbert Hoover, who raised funds for the besieged Finnish civilians. Following the Soviet invasion of Poland in November 1939. When the Second World War broke out, the officially friendly views of the United States government toward Finland served as a catalyst for international and popular public pressure, which was beneficial to both countries. However, the United States remained neutral in any conflict, with legislation prohibiting the sale of weapons to Finland and restricting the United States' assistance to the Soviet Union. As a result, American companies were discouraged from sending any material to the Soviet Union that could be used to keep the Soviet war machine running against the Finns (Anzenberger, 2020). Because of Herbert Hoover's efforts, the wealthy American public and merchants gave millions of dollars to beleaguered Finns, and the funds gathered helped resettle individuals displaced by the war (Fausold, 1977). To help with the Winter War effort, the Finnish Relief Fund had raised \$200,000 by Christmas 1939, which President Hoover despatched to Helsinki for this reason. By March 1940, the Finnish Relief Fund had raised a total of \$2 million since it was established in December 1939 (Martin, 1973). The signing of the Moscow Treaty brought the winter war to a close on March 13, 1940. A total of 400,000 to 500,000 citizens of Finland were forced to relocate when Finland relinquished approximately 10% of its territory to the Soviet Union (Engle & Paananen, 2014).

U.S.-Finland Economic Relations 1945

The US government has expressed its openness to consider the possibility of diplomatic re-representation in Finland October 1944, for a variety of reasons: The obstacles and problems encountered by the Diplomatic Mission in Stockholm in receiving information from Helsinki on Finland and in protecting the interests of the United States of America and its residents. In addition, the British government despatched delegates to Romania, Bulgaria, and Finland, and numerous US-Finnish organizations and residents encouraged President Roosevelt and the US State Department to do the same (Suchoples, 2012). Ambassador of the United States to Sweden Johnson recommended his government to restore public-private economic links with Eastern European countries, including Finland, and the issue was brought before the President for debate. Initial trade transactions between Finland and the United States may be possible on the basis of the exchange of goods, at least as a temporary measure before wartime trade restrictions are lifted. Finns must also be permitted to export goods to countries other than the Soviet Union during this period (Farhoomand, Tuunainen & Yee, 2000). Strangely, the United States of America has maintained diplomatic relations with Finland while the latter has been fighting alongside Germany, and the United States of America has been unable to send a representative to Finland during this time. Americans were more concerned about their own interests than they were about the war, which Finland and the Americans were waging to protect their residents and business interests in the country (Anzenberger, 2020). Furthermore, the United States has placed a high value on monitoring Finland's political position, as well as its economic condition. In late December 1944, the Soviet Foreign Ministry prepared a paper advising that the United States refrain from providing financial support to Finland, and it warned of the repercussions of doing. In the wake of Finland's removal from the list of hostile countries on February 16, 1945, the United States Treasury Department issued an order that restored the

lifting of sanctions on companies and individuals with whom business transactions had previously been prohibited with a license (Anzenberger, 2020). Economic links between the US and Finland were reestablished with the restoration of official diplomatic relations between the two countries. The US recognized that Finland faced a serious commercial dilemma as a result of the amount of compensation owed to the Soviet Union (Kronlund, 2019). The Finnish Foreign Ministry has requested to the United States for a loan from the Export-Import Bank in the amount of 110 million dollars. The loan amount was approved for \$35 million, plus a total of \$25 million in previous debt, but the loan was rejected by the State Department because it did not fit in with other loans made during that time period, and the total loan debt \$60 million (Nixon, 2006). Due to Finland's previous payment date, the amount was approved after a period of approval, and the Import and Export Bank's decision to support a Finnish request for the entire \$110 million was influenced by the country's solid reputation at the time of the approval. In 1944, the absence of a formal diplomatic contact between Finland and the United States did not prohibit the Finnish government from interacting with the federal processes of the United States and asking financial assistance from the United States (Kronlund, 2019). The loan can be used to purchase wood products, which are in great demand in the US. Hamilton emphasized that such an arrangement may be beneficial to the United States as well. While Finland has begun to lay the groundwork for a sound economic basis, it still faces the challenge the Soviet Union's payment of compensation. A number of trade agreements with Finland were made following World War II, and the United States increased its economic ties with the country. Finland paid a high price in terms of material and human resources to achieve independence and state recognition, which would not have been possible without the backing of the United States (Hjerpe, 2008). In particular, the American public has been moved by Finland's ability to repay its debts to the United States in difficult economic times, and the ability of the

media to portray Finland as a defender of Western values and democratic values in the face of the Soviet Union has ensured that the American public puts pressure on their leaders not to abandon Finland (Ojala, Eloranta & Jalava, 2006).

U.S. Assistance to The Finns

Early in the war, charitable organizations and the American Red Cross expressed a willingness to assist the Finnish people, but the United States took a long time to get approval. As early as January 1945, private organizations in the United States including the American Red Cross sent applications to the British Foreign Office requesting help for Finland, demonstrating the widespread support for Finland among people in the United States (Rislakki, 2015). The support offered by the US and the Export-Import Bank to help the people of Finland played a significant and important role, and it was the primary reason for the economy's recovery and development in the early years after the Soviet Union was dismantled (Gorodnichenko, Mendoza & Tesar, 2012).

Conclusion

Economic relations between the United States and Finland were characterized by strong, close, and stable relations between Finland and the United States of America after Finland's declaration of independence in 1917 and recognition of the United States of America as an independent state in 1919, until the end of World War II, particularly after Finland established a democratic system in the administration of the State. Finland's geographic location turned out to be one of the factors contributing to the development of the United States-Finnish relationship, as well as the sympathy felt by the United States government toward Finland. The course of World War II was hampered by a worsening in commercial connections between the United States and Finland, and it was discovered that the two countries desired to retain their trading relationship despite the fact that they were fighting on opposing fronts. Empathy has played a significant and crucial part in US-

Finnish ties, as the cornerstone of these connections is in Finland, which is a Western-oriented country from the American perspective. That the United States of America's policy toward Finland for the duration of World War II was distinct from its policy toward countries, such as Romania, Bulgaria, and Hungary, and that, the United States of America did not declare war on Finland during World War II. Instead, the United States of America maintained its relationship with Finland and wished to see these economic ties continue. Financial assistance from the United States of America contributed to the development of Finland's economic infrastructure. In accordance with U.S. policy toward northern European countries, which it considers to be western-oriented countries, the United States of America is interested in Finland's independence. The United States of America describes Finland's independence as a barrier to communist expansion, particularly in Finland, which shares more than 1,000 kilometers of land borders with Soviet-controlled territory.

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