

Finland's cautious path to OECD membership

Written by: Peter Carroll, Tasmanian School of Business and Economics,
University of Tasmania

Last update: 29 January 2020



© LE MADEC for OECD

Finland's cautious path to OECD membership | Finland prepares to join: OECD Secretary-General Thorkil Kristensen (right) welcomes Tankmar Horn, Undersecretary of State, Finnish Foreign Ministry

Finland marks its 50th anniversary as an OECD member country on 28 January 2019. Though not a founding member when the OECD commenced in September 1961, Finland's interest in joining was never in doubt. However, it adopted a cautious approach.

As early as 1947-1948, and again in 1957-1958, the Finnish government had already shown interest in Marshall Plan funds for rebuilding post-war Europe, which were administered by the OECD's predecessor, the Organisation for European Economic Co-operation (OEEC). However, it was not until some 20 years later, in 1967-1968, that Finland finally applied, successfully, for membership of the OECD.

Unlike Japan (which joined in 1964), Australia (1971) and New Zealand (1973), where accession was delayed for a mix of domestic reasons and varying degrees of initial resistance among existing members, in Finland's case it was the strong opposition to its membership from the Soviet Union, a non-OECD country, that led to a drawn out process.

Finland, which shares a 1,340 km border with its large neighbour, found itself in a challenging, constrained position as the Soviet government made it clear that it would see Finnish participation in the Marshall Plan and the OEEC as a hostile act. Hence, the Finnish decisions not to apply for membership of the OEEC on its founding, though it was able to provide the organisation with detailed information on its economy from the outset.

As the 1950s went by, successive Finnish governments also gradually and cautiously developed a closer relationship with the OEEC, supported by Sweden, Norway and Denmark, determined to ensure its economy was not disadvantaged by the growing, economic integration of Western Europe. The work of the OEEC was driven, as is still the case at the OECD, by a range of expert policy committees that focused on current and developing issues, work attractive to Finnish governments. In 1956, Finland was invited to send an observer to the OEEC's Pulp and Paper Committee, then its Maritime Transport Committee, followed by the Timber Committee in 1959. Finland also entered into a series of trade-related agreements with most OEEC members, particularly the Helsinki Club Protocol, signed in July 1957.

In January 1958, President Urho Kekkonen instructed the Finnish ambassador in Paris to look formally into the conditions for joining the OEEC. A working party was established and, in addition, informal, largely fruitful discussions were held with key OEEC members to ensure their support for Finnish membership. The working party concluded that Finland could meet the obligations of membership and the OEEC Council gave the green light for its accession.

The Soviet government took a different view. A continuing fall in Finnish purchases of Soviet goods, combined with Soviet opposition to Finland's new government under Social Democrat Karl-August Fagerholm, led to the Night Frost Crisis of 1958, so-called by Nikita Khrushchev to depict how cold their relations had become. Moscow froze diplomatic exchanges with Helsinki and pressurised the government to resign. The Fagerholm cabinet collapsed and so the push for OEEC membership stalled.

The new OECD continued to attract Finnish interest; Finland became an observer at the Machinery Committee, then Industry Committee in 1962, followed by other committees, so much so that in November 1965 some delegates raised the question of the extent to which a non-member should be allowed to participate as an observer without the obligations of full membership. So, when the Finnish government expressed a desire to participate in OECD's Economic Committee

work in 1966, the secretary-general suggested that it seek full or associate membership. Once again, discussions regarding membership commenced, in a generally favourable environment, given the earlier green light signalled by the OEEC and Finland's close relationship with the European Free Trade Association (EFTA).

Importantly, there was no initial opposition from the Soviet government then, but it adopted a more negative stance as negotiations developed, deriding the OECD as a closed group of Western countries with close ties to NATO. However, the emergence of the European Economic Community (EEC) and EFTA meant that the OECD no longer attracted the same degree of Soviet opposition as had the OEEC. Moreover, it is likely that at this time the Soviets did not want to run the risk of destabilising the rising tide of détente and the progress being made toward a multilateral, European security conference that reached fruition in the 1970s.

On 7 June 1968 the Finnish government decided formally to seek accession and detailed discussions ensued. It had some reservations to sections of the OECD's Codes of Liberalisation of Current Invisible Operations and Liberalisation of Capital Movements, as was the case with most OECD members, and these were soon resolved. Finland ratified the OECD Convention and became a member country on 28 January 1969. A slow and cautious process had come to a successful conclusion.

The article draws upon material kindly made available by the OECD Library and Archives; Balázs Gyimesi of the OECD Observer assisted.

References:

- Carroll, Peter (2017), "Shall we or shall we not? The Japanese, Australian and New Zealand decisions to apply for membership of the OECD, 1960-1973", in Matthieu Leimgruber and Matthias Schmelzer (eds.), *The OECD and the International Political Economy since 1948*, Palgrave Macmillan.
- Carroll, Peter and William Hynes (2014), "Japan and the OECD: how the sun rose on a global era", *OECD Observer* No 298, at <https://oe.cd/wI> <https://oe.cd/wI>
- Carroll, Peter and Aynsley Kellow, (2011), *The OECD A Study of Organisational Adaptation*, Edward Elgar Ltd, Cheltenham and Massachusetts.
- Carroll, Peter and Aynsley Kellow, (2011), *The OECD A Study of Organisational Adaptation*, Edward Elgar Ltd, Cheltenham and Massachusetts.
- Majander, Mikko (1994), "The limits of sovereignty", *Scandinavian Journal of History*, 19:4, 309-326.
- Yamamoto, Takeshi (2007), "The Road to the Conference on Security and Co-operation in Europe, 1969-1973: Britain, France and West Germany", a doctoral thesis at the London School of Economics and Political Science.

Reproduced with permission of copyright owner. Further reproduction prohibited without permission.