

*Pääministeri Risto Ryhti*

Copy.

British Legation,

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No. 5.

Monsieur le Ministre,

I have the honour, on the instructions of His Majesty's Principal Secretary of State for Foreign Affairs, to inform Your Excellency that His Majesty's Government in the United Kingdom have for some time been giving serious consideration to the trend of trade between the United Kingdom and Finland since the signature of the Commercial Agreement with Finland in 1933. The following are the figures shown in the United Kingdom Trade Returns:-

Imports from Finland:	<u>1934</u> 15,215	<u>1935</u> 14,915	£'000	<u>1936</u> 18,145	<u>1937</u> 22,452
Exports to Finland:	3,612	4,153		4,217	5,963
Re-exports to Finland:	387	464		362	399
Adverse balance	<u>11,216</u>	<u>10,298</u>		<u>13,566</u>	<u>16,090</u>

While the increase in United Kingdom exports to Finland during this period is not unsatisfactory, it is far from being commensurate with the expansion of imports from Finland which has resulted in a growing excess of imports into the United Kingdom. In 1937 this excess reached £16.1 million and in that year there were only four foreign countries (including the Dutch West Indies) where special conditions prevail) with which the United Kingdom had a higher adverse balance on merchants account: moreover, the United

His Excellency

M. Eljas Erkkö,

Minister of Foreign Affairs.

Kingdom's adverse balance in the case of Finland represented no less than 55.8 per cent of the total volume of trade between the two countries, this proportion being the highest recorded for any foreign country with the exception of the Dutch West Indies. At the same time the United Kingdom is Finland's best customer, this market absorbing, according to Finnish Trade Returns, about 45 per cent of all Finnish exports: and the United Kingdom is Finland's principal source of foreign exchange.

2. His Majesty's Government regard the excess of imports from Finland (which is not reduced materially by any invisible United Kingdom exports to Finland) as an important factor in the adverse balance of payments of the United Kingdom on international account, which, according to calculations made by the Board of Trade, amounted in 1937 to £52 million following a deficit of £18 million on the same account in 1936. His Majesty's Government regard as essential the reduction of the large adverse balance on merchandise account especially so in the case of those countries with which the trade of the United Kingdom shows an unduly large excess of imports. In this connection I beg leave to recall the following statement which was made by Mr. Stanley, in his capacity of President of the Board of Trade, on the debate on the Board of Trade Vote on the 24th May, 1938.

"I would only add this with regard to the trade agreement policy ..... I am sure everyone would wish to make it plain to countries abroad that, great as may be our desire to give them, as far as is compatible with fairness to our own manufacturers, access to this great consuming market, to a large extent the amount of that access must depend not only on us but on them."

In the light of this statement His Majesty's Government feel

confident that the Finnish Government will readily see the importance, from the point of view of the economy of both countries of taking all such steps as are practicable to remedy the present position.

3. The unsatisfactory trend of Anglo-Finnish trade has not failed to attract the attention of United Kingdom traders. As Your Excellency will be aware, a delegation representing United Kingdom Chambers of Commerce visited Finland in June last year to explore the possibilities of improvement. A copy of the report which they presented on their return is enclosed for convenience of reference. His Majesty's Government have no doubt that the further efforts which United Kingdom traders propose to take, and to which a reference is made on page 12 of the report, will contribute some improvements in the United Kingdom's export trade with Finland. At the same time they are convinced that in present circumstances the only hope of a drastic improvement in the growing adverse balance of trade with Finland lies in the initiation of remedial measures by the Finnish Government. His Majesty's Government take the view, therefore, that if, in their own interests, the Finnish Government attach the importance to the United Kingdom market which it deserves, it should not be beyond the Finnish Government's powers to devise ways and means of securing for the United Kingdom a much larger share of the import trade of Finland.

4. In inviting the attention of the Finnish Government to the foregoing considerations, I have been instructed to represent that while His Majesty's Government view the situation with grave concern, they are confident that the

Finnish Government, bearing in mind the importance of the United Kingdom market to Finnish export trade, will address themselves at their earliest convenience to the problem of devising means whereby the importation into Finland of goods produced or manufactured in the United Kingdom can be increased to an extent more commensurate with United Kingdom purchases of Finnish goods.

5. One method to which further consideration could be given is the direction to the United Kingdom of the orders of the State Purchasing Departments and of the Finnish Municipalities. It will be remembered that in Part I of Article I of the Protocol to the Commercial Agreement of 29th September 1933, the Finnish Government "having regard to the proportion of Finnish exports "taken by the United Kingdom, declared their intention ..... "to encourage and promote by all means at their disposal "the importation into Finland of goods produced or manufactured in the United Kingdom." As one of the steps to give effect to this undertaking the Finnish Government addressed a communication in the sense indicated to all its departments, and subsequently appointed a Commissioner for State Purchases. These measures have not, however, been as successful as had been hoped, and a review of them might, it is thought, lead to considerably more purchases of this nature being placed in the United Kingdom.

6. I have also been instructed to take this opportunity of drawing Your Excellency's attention to the allegation of the United Kingdom cotton and artificial silk industries, that the duties imposed on importation into Finland of these textiles afford an unduly high degree of protection to the

corresponding Finnish industries. The United Kingdom industries concerned have submitted specific proposals for revised duties (including, in the case of cotton yarns, a partial reclassification of the "count" grouping). The proposals in question are set out in the enclosed appendix. His Majesty's Government's concern is not, of course, confined to textile manufactures, which, including yarns, accounted for only 16½ per cent of Finnish imports from the United Kingdom in 1937. I have however been instructed to request the favour of Your Excellency's careful consideration of these desiderata of the United Kingdom textile industries. In so doing, I beg leave to emphasise that having regard (in the case of cotton and staple fibre piece-goods and yarns) to the declining share of the United Kingdom in an expanding market - owing largely to the growth of imports of Japanese staple fibre fabrics and of Czechoslovakian and Belgian yarns and in certain other cases (particularly pure artificial silk tissues and yarns) to the relatively small share of the Finnish market at present enjoyed by the United Kingdom goods - His Majesty's Government are of the opinion that reduced import duties will benefit United Kingdom trade to a comparatively small extent, unless measures are simultaneously adopted to guarantee a reasonable share of the market for United Kingdom goods. I have the honour accordingly to urge that in giving sympathetic consideration to the requests for tariff reductions, the Finnish Government should at the same time examine the possibility of taking such steps as will ensure that the major benefit of any such reductions shall fall to the United Kingdom.

7. In conclusion it is my duty to make it clear that,

in what precedes, the increase of State purchases and the revision of the import duties named have been mentioned merely as examples of possible measures which could be taken by the Finnish Government. His Majesty's Government by no means wish to suggest that Finnish action should be confined to these measures: on the contrary they feel confident that for the reasons I have already had the honour to set out, the Finnish Government, in the mutual interests of both countries, will on their own initiative earnestly examine all further means which may suggest themselves to secure an early and enduring improvement in the trade-balance.

I avail myself of this opportunity, Monsieur le Ministre, to renew to Your Excellency the assurance of my high consideration,

T.M.Snow.

APPENDIX.

I.

COTTON PIECE GOODS.

Tariff No.	Classification	Proposed Duty (Finnish marks per kg.)
	Velvet, plush and similar pile tissues with cut or uncut pile:	
236	Unbleached and undyed .....	12.00
237	Bleached, dyed or printed .....	15.00
	Tissues not specially mentioned, the whole surface being of uniform weave:	
	Weighing 250 grammes or more per square metre:	
238	Unbleached and undyed .....	4.50
239 (b)	Bleached, dyed or printed (not including shoe cloth) .....	5.50
	Weighing less than 250 but not less than 100 grammes per square metre:	
240	Unbleached and undyed .....	6.00
241 (b)	Bleached or dyed excluding tracing cloth and umbrella cloth .....	9.50
	Printed (excluding tracing and umbrella cloth) with a width of:-	
	(i) less than 88 cm.....	9.50
	(ii) 88 cm. or over .....	9.50
	Weighing less than 100 grammes per square metre:	
242	Unbleached and undyed .....	12.00
243 (b)	Bleached, dyed or printed (and excluding umbrella cloth) containing up to 40 warp and weft threads per sq.cm.....	15.00
244 (b)	Bleached or dyed (excluding umbrella cloth) containing more than 40 warp and weft threads per sq.cm.....	21.00
	Printed (excluding umbrella cloth) more than 40 warp and weft threads per sq.cm.:-	
	(i) less than 88 cm.....	21.00
	(ii) 88 cm. or over .....	21.00

Tissues, other kinds, not specially  
mentioned, whether or not figure-woven:

Weighing 100 grammes or more per sq.metre:

245	Unbleached and undyed.....	9.00
246 (b)	Bleached, dyed or colour-woven or printed (excluding umbrella cloth).....	12.00

Weighing less than 100 grammes  
per sq. metre:

247	Unbleached and undyed .....	15.00
248	Bleached, dyed or colour-woven, or printed .....	21.00



II.

COTTON YARNS.

Tariff No.	Classification	Present Duty: Finnish Mks. per kilog.	Proposed Duty: Finnish Mks. per kilog.
<u>COTTON YARN:</u>			
Single:			
Grey, unbleached:			
177	Up to No. 20 English count inclusive .....	2.00	2.00 (Counts up to No. 40's)
178	Above No. 20 but not above No. 40 .....	2.40	
179	Above No. 40 but not above No. 60 .....	2.80	2.80
180	Above No. 60 .....	4.00	3.20
Bleached, dyed or printed:			
181	Up to No. 20 English count inclusive .....	2.60	2.60 (Counts up to No. 40's)
182	Above No. 20 but not above No. 40 .....	3.00	
183	Above No. 40 but not above No. 60 .....	3.40	2.80
184	Above No. 60 .....	4.80	3.90
Two or more threads, single twist:			
Grey, unbleached:			
185	Up to No. 20 English count inclusive .....	2.40	2.40 (Counts up to No. 40's)
186	Above No. 20 but not above No. 40 .....	2.80	
187	Above No. 40 but not above No. 60 .....	3.20	2.60
188	Above No. 60 .....	4.40	3.60
Bleached, dyed or printed:			
189	Up to No. 20 English count inclusive .....	3.00	3.00 (Counts up to No. 40's)
190	Above No. 20 but not above No. 40 .....	3.40	

191	Above No. 40 but not above No. 60 .....	3.80	5.10
192	Above 60 .....	5.20	4.20
Of two or more threads, multiple twist:			
Grey, unbleached:			
193	Up to No. 20 English count inclusive .....	2.80	2.80 (Counts up to No. 40's)
194	Above No. 20 but not above No. 40 .....	3.20	
195	Above No. 40 but not above No. 60 .....	3.60	2.90
196	Above No. 60 .....	4.80	3.90
Bleached, dyed or printed:			
197	Up to No. 20 English count inclusive .....	3.40	3.40 (Counts up to No. 60's)
198	Above No. 20 but not above No. 40 .....	3.80	
199	Above No. 40 but not above No. 60 .....	4.20	
200	Above No. 60 .....	5.60	4.50

III.

CONTINUOUS FILAMENT RAYON YARNS AND PIECE-GOODS.

Tariff No.	Classification.	Proposed Rate of Duty. Finnish mks. per kilog.
233	Rayon yarn .....	25.00
279 (b)	Woven and knitted rayon tissues	100.00
ex 280	Dyed and/or printed tissues of rayon, admixture of not less than 40 per cent by weight of cotton and of which the width is 88 cms. or more ..	60.00
280	Other woven tissues, n.e.s. ....	100.00

IV.

RUBBERISED CLOTH AND RAINPROOF AND RUBBER-PROOFED CLOTHING.

Tariff No.	Classification	Proposed Duty (Finnish marks per kg.)	
	Tissues etc. coated with rubber etc. of materials other than silk or mixed silk -		
318(a)(1)	Insulating tape and oil-cloth, containing rubber-tissues imitating leather (such as pegamoid and the like), containing rubber in a quantity not exceeding 25 per cent of the weight of the tissue.	3.	
ex 318(a)(2)	Other kinds (tissues imitating leather).	3.	
318(b)	Ribbons	10.	
318(c)	Other	10.	
ex 330	Clothing, etc. of wool etc. (raincoats)	45.	
ex 352	Clothing etc. other than of silk or wool etc. (proofed)	65.	
ex 241(a)	Tissues for umbrellas and sunshades imported by and for the use of umbrella and sunshade manufactories.	(Conventionalization of existing duty of 9.50	
ex 243(a)			15.
ex 244(a)			21.
245(a)			12.