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978-1-107-04025-0 - Red Globalization: The Political Economy of the Soviet Cold War
from Stalin to Khrushchev

Oscar Sanchez-Sibony

Excerpt

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Introduction

Lorenzo traveled light. An exile from Spain living in Paris, and roughing it under bridges when money could not rent a bed, he was on a train heading east with a few shirts, an unwisely light jacket, rubber shoes his mother had sent from Spain and – his most precious possession – an article clipping from *Le Monde* in his pocket. It was early in 1963 and getting cold throughout Europe. Lorenzo was not yet twenty, and despite traveling as the representative of a Spanish Communist student organization (FUDE in its Spanish acronym), he was not quite a student either. It is true that he had received a very thorough education in the works of Karl Marx, but his educational institution had been one of Francisco Franco's correctional facilities for political hooligans. Lorenzo's lessons in Marxism had been carried out amidst discreet sessions of torture. He had entered jail an anti-Francoist, and had come out of it and gone into exile a committed Communist. Now he was heading past the Iron Curtain for a meeting in Warsaw of the International Union of Students, where he and hundreds of students from across Europe were to be welcomed by the Polish Minister of Foreign Affairs at the Palace of Culture and Science, a magnificent eyesore recalling the old Warsaw Citadel that symbolized Russian rule over Poland a century earlier. Lorenzo's plan was to take out his *Le Monde* clipping at the meeting.

The Communist Bloc was a thorough disappointment for Lorenzo. Upon crossing the border into East Berlin, only recently ornamented with a long wall, he noticed a distinct surplus of machine guns hanging about the station. His Polish cabin companion, an aging teacher of French returning home, had become conspicuously taciturn after the crossing. Upon arriving in Warsaw, she addressed Lorenzo one last time to advise him not to change his French francs with the official money-changer on the train. "He is a thief," she spat, and Lorenzo could get four times the amount of zlotys in the street. Lorenzo thought her reactionary and bourgeois, but nevertheless changed only a small part of his meager wealth

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on the train, only to find that in addition to being bourgeois and reactionary, his companion was also quite right.

At the dormitory in Warsaw, Lorenzo found a woman on duty surveilling every floor and she was not shy to irrupt into a room if any local female students happened to be socializing with the foreigners. Lorenzo found Communist Poland to have almost as many churches as Francoist Spain, and they were distinctly more popular here. If a New Man were to be born in these conditions, he would have the definite whiff of the traditional priggish man of God he knew so well back home, the same who taught in Catholic schools, thought education a bloody process, and took so many of Lorenzo's young classmates into rooms where no woman on duty would interrupt.

A warmer experience, perhaps one closer to the Communist Bloc of his imagination, might have mollified Lorenzo and kept him in line during the anticipated meeting with the Polish Foreign Minister. Instead he felt surer than ever. He must take out his article from *Le Monde*, his incontrovertible proof, and demand answers. What was written in the article? It was a simple story of trade. Poland had been selling coal to Spain throughout the year. Hard currency, as Lorenzo had already found out for himself, was much prized in the Communist Bloc after all. This seemed an innocuous item of information, and it was in fact a routine bit of profitable commercial exchange by this time, as far as Communist officials were concerned. But the actions of the Polish Communist Party also constituted an act of immense treachery against Lorenzo and his fellow exiled comrades.

The locus of anti-Francoist agitation in Spain was in the coal mines of the northern region of Asturias. In the spring of 1962, miners in that rugged land went on a massive strike, and the exiled Spanish Communists supported them in every possible way. This often meant clandestine trips back into Spain for the likes of young Lorenzo, a risky activity that could end up in capture or worse. In the event, the strikes of the unruly, courageous Asturians spread across the country and bowed the regime itself, inaugurating a new Spain in which workers had earned the right to organize and strike. It would not be too much of an exaggeration to say that the coal strikes of 1962 sounded the death knell of the Spain Franco forged in the interwar era and became the year of inception of a social movement in Spain that culminated in the formation of a new European social democracy after Franco's death in 1975; and no thanks to the Polish Communist Party.

At the Palace of Culture and Science, Lorenzo waited until the end of the minister's speech to speak. With a knot in his throat but drawing

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strength from his piece of newspaper, he was now waving it and demanding to know why the Polish Communists were undermining the single most important fight for socialism in Spain since it was extinguished there in 1939. The minister, taken aback by this unexpected turn, mumbled something about the friendship of the peoples and quickly changed the subject. The minister was right of course, and his comments were very much in line with the policy of the Kremlin and the whole of the Communist Bloc.

After this anticlimax, Lorenzo thawed in Paris and soon after quit the Communist Party and returned to Spain, just barely avoiding the fate of many of his comrades who went on to fight against the right-wing dictatorships of Latin America only to be burned to a crisp by American napalm. Yet there was a curious convergence between the successive American administrations that murdered Lorenzo's friends in their jungle hideouts and Lorenzo himself, and it had to do with how both imagined the Soviet Union and the Communist Bloc. For the US government, Lorenzo, and indeed most academic scholars, the Soviet Bloc was a world apart, an experiment being carried out behind high walls that intersected with the rest of the world mostly in the realm of ideas. As such, when acting beyond its borders, it was supposed to be relentlessly ideological, putting its messianic mission ahead of crass financial concerns; only political prerogatives concerning security and grand geopolitical games could trump ideological interests now and again. What the friends and enemies of Communism shared, then, was an imagined Communist Bloc that bore little relation to the actual policies, and indeed rhetoric, of Communist officials. Trade as a vehicle for world peace and a palliative for Cold War tensions appeared to Lorenzo – and was in fact – a terrible betrayal. This credo also sounded to Lorenzo, the US government, and generations of Western scholars as a cynical excuse, necessarily masking something more subversive.

This book argues that this was nothing of the sort. The Polish minister's excuse was, in fact, commercial policy of long standing in the Soviet Union and its post-World War II empire.¹ One of the most consistent areas of agreement among Westerners of all political stripes is a conception of the postwar international regime as strictly bipolar. This belief is an essential constituent of a Western European and North American narrative for

¹ Poland, alas, is not within the book's purview, although it can be assumed that their commercial policy was in keeping with that of the Soviets, and if anything, more aggressively integrationist with the liberal world order.

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understanding themselves and the world around them; only such a distribution of global power could explain the very real division of Europe. Integral to this bipolarity framework is the idea that the Soviet Union was autarkic to its core. Autarky, often an unremarked condition but always foundational to any analysis of the Soviet Union, has allowed two sets of different but related scholarly artifice. On the one hand, autarky has enabled Sovietologists to construct a narrative of the country as an antagonistically illiberal and willful socio-political construction that could only be erected as a purely ideological undertaking: the “Soviet experiment.” The totalitarian paradigm that became so influential for understanding the Soviet Union in Western academia and societies at large was precisely built on those notions of autarky; only complete seclusion from the world could have deviated a country so far from the more organic liberal course that so often serves as the normative benchmark for historical development.² But on the Left, autarky was also enthusiastically embraced; the idea of the Soviet Union as an experiment embodied the hope that processes were in motion there unsullied by the commercialized, exploitative capitalism of societies in the West. In the related field of Cold War studies, autarky served scholars in constructing a narrative that required a clear delineation of the two camps. The powers that be, above all the US Department of State, acted on this assumption and justified much of American foreign policy by it – often activating immense reserves of ignorance, racism, and cynicism to do so (see Guatemala circa 1954). There have not been many permutations of these assumptions in the Cold War scholarship; bipolarity is still the name of the game, and autarky its mostly unacknowledged foundation.

The problem is that Soviet autarky is wrong. It is wrong as a matter of statistical fact. It is wrong as a matter of clear and consistent political intent on the part of the Soviet leadership. It is wrong. Using domestic prices for foreign trade items – rather than the foreign prices converted to rubles at the exchange rate that the official foreign trade statistics use – the economist Vladimir Treml calculated that the share of foreign trade to

² A useful guide to totalitarianism as a conceptual framework is Abbot Gleason, *Totalitarianism. The Inner History of the Cold War* (Oxford: Oxford University Press, 1995). The most recent iteration of this narrative is the modernity paradigm, which at least places the USSR within a larger pan-European narrative but sees it as a particularly nasty embodiment of Enlightenment logic precisely because it was so thoroughly illiberal, so thoroughly, willfully apart from the prevailing liberal order. The first and best statement in this line of inquiry is Stephen Kotkin, “Modern Times: The Soviet Union and the Interwar Conjunction,” *Kritika: Explorations in Russian and Eurasian History* 2:1 (2001): 111–64.

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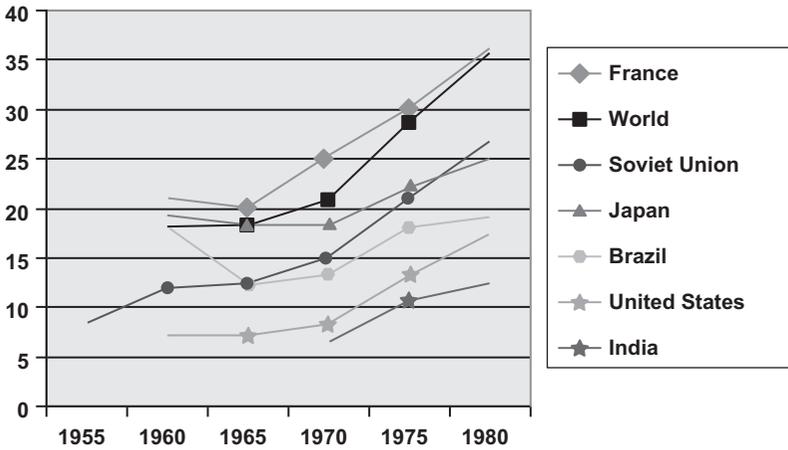


Figure 1 Trade as percentage of national economy

national income increased from 12 percent in 1960 to 21 percent in 1975 and about 27 percent in 1980 (see Figure 1). In other words, the Soviet Union had a level of “autarky” comparable to that of Japan, which followed a similar progression from the near autarky of the early 1950s to a more globalized economy two decades later.³

The Soviet Union throughout the postwar era was more sensitive to changes in the world economy than other large countries such as the United States, Brazil, India, and by the late 1970s, even Japan. But Trembl’s suggestive figures failed to percolate through the field; there was no place to integrate them within existing master narratives of the “Soviet experiment.” Likewise, the field largely ignored the four-decade-old work of Michael Dohan, which itself seemed to take its cue from the fast growth of Soviet economic relations through the 1960s and 1970s.⁴ Dohan argued that autarky in the 1930s was not a political choice, but an outcome of the Great Depression. This book confirms and builds on his impeccable scholarship. The fact is that the Soviet economy was in large measure

³ Japan began the postwar Bretton Woods era in abject dependence to the United States, which accounts for the higher trade-to-GDP ratio early on. It ended the era less globalized than the USSR, whose trade-to-GDP ratio Trembl guessed would be above 30 percent in the 1980s, in Vladimir G. Trembl, “Soviet Dependence on Foreign Trade,” in NATO Economics Directorate, *External Economic Relations of CMEA Countries. Their Significance and Impact in Global Perspective*, Colloquium 1983 (Brussels: NATO, 1983), 35.

⁴ Michael R. Dohan, “Soviet Foreign Trade in the NEP Economy and Soviet Industrialization Strategy” (PhD diss., MIT, 1969).

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embedded in global economic structures at all times in its history. Whether it was the gold standard system, the Bretton Woods system, or the post-Bretton Woods quasi-system that structured economic and political relations internationally, the Soviet Union participated mostly directly in the trends and tribulations of global financial and commercial exchange – if not necessarily in global financial and commercial governance, which was dominated by the much richer countries of Western Europe and the United States.

Only one group of scholars can claim to have been partly right: economic Sovietologists. It is true that as a matter of systemic predilection, the Soviet system abhorred export. Soviet managers of industry wanted no involvement in the export of the country's production. The reasons for this have not yet been fully explored, but the beginning of an answer probably has to do with the problem that a manager would find in having his (always his) enterprise selected for export duties. This dislike of exportation led to the Kremlin commandeering production and taking that production out of the industrial black market (another immensely important area of Soviet economic life we know little about). Inasmuch as the industrial black market helped these same managers deal with the pressures of plan fulfillment, export was to be avoided at all costs. But of course this is only one-half of the story of Soviet trade. The other half is importation, which the Soviet Union craved probably more keenly than more liberal countries. It was part of the well-known phenomenon of the Soviet economic system whereby enterprises hoarded inputs and then demanded more in order, again, to mitigate the strain of Gosplan's production demands.⁵ But where the system was conflicted in its relationship with the world outside Soviet borders, the Kremlin was not. The outcome of the Soviet leadership's single-minded policy to engage the world is incontrovertible: The Soviet economy became first autarkic and then globalized in roughly the same measure and on roughly the same timetable as the world first became autarkic in the interwar period and then globalized in the postwar.

If Soviet trade was not conducted within a framework of a free global market, it is not because the Soviets generally emphasized political concerns over commercial ones, as conventional wisdom has it. Politics certainly intruded on Soviet commerce, but more often than not in the form of constraints enforced by American power through institutions like

⁵ This systemic contradiction (the irony!) is the subject of Oscar Sanchez-Sibony, "Soviet Industry in the World Spotlight: The Domestic Dilemmas of Soviet Foreign Economic Relations, 1955–1965," *Europe-Asia Studies* 62:9 (2010): 1555–78.

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the Coordinating Committee for Multilateral Export Controls (CoCom) in the industrialized world, or through implicit and overt threats to the commercial well-being of non-industrialized countries. It was the drive to lift these American-made constraints that guided Soviet commercial efforts during the first two decades of its trade expansion. This is an important point to grasp and internalize when analyzing Soviet foreign policy. Cold War literature has focused too much on short-term political decisions made during headline-grabbing Cold War flashpoints, rather than on the Soviet elite's understanding – often perfectly sensible – of the political and economic realities that circumscribed their actions and shaped longer-term policy.

This book recovers that general financial and commercial architecture that delimited Soviet foreign policy. But it does not set out simply to illuminate what Cold War historians refer to as the “economic dimension” of the Cold War or to prove that economics somehow trumps politics. Rather, it is predicated on the idea that economic developments constrain and enable certain politics in at least the same measure that politics constrain and enable economic policymaking. These dynamics shaped the worldview and preconceived notions of policymakers, what in the field is often but inadequately denoted as ideology, an unfortunate notion that often implies doctrinal texts and rigidity of thought – usually depicted as a Soviet characteristic, but rarely attributed to American innocents abroad. This is not to deny that some ideas in the Soviet Union were perfectly autonomous and fairly unchanging. For example, Soviet policymakers clearly favored importing capital goods (machine tools, ships, cables, etc.) to the consumer goods that industrialized countries often tried to peddle in the Soviet Union. Why this should be so had little to do with preferences shaped by economic incentives and conjunctures and probably owed much to notions of exploitation, privilege, and economic waste derived from ways of thinking established well before the Bolsheviks were even in power. One could view this as a Marxist notion and chalk it up to rigid Kremlin ideology, but then too many non-Marxists around the world shared the notion for it to be so easily labeled. We will find throughout the book that this is true of other ideas – for example, planning – that have usually been ascribed to the Kremlin's commitment to a disembodied and absolute “Marxist ideology.”

This book examines exactly what the underlying logic and actual practice of Soviet economic policy was and how it changed over time in tandem with the global economy. The idea for the book started with the clear and ubiquitous evidence – in internal communications in the

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archives, in public speeches, and in all Soviet publications on the matter – that autarky was nowhere near the expressed desire of anyone in the Soviet Union. What Soviet officials did express was an abiding sense of the limitations of the country and the preponderance of Western economic might. The Cold War literature, so good at transcribing the tone and substance of US State Department officials' attitudes, consistently misrepresents these two fundamental characteristics of Soviet officials' discourse. Instead, many historians have imagined an equivalence of interests between West and East. The Cold War of this bipolar equivalence was a zero-sum game of enlarging one's camp. But the fact is that Soviet economic interests exhibited little of the competitive thrust assumed by most historians (and to be fair, prevalent in Soviet ideational discourse). Rather, the reality of the country's economic relations was characterized largely by accommodation and cooperation with the West and the search for an elementary admission to the markets of the global South.

To understand this commercial policy one needs first to understand the degree to which Soviet successes in physics (i.e., Sputnik and nuclear technology) and economic growth in the 1950s hid an abiding comparative underdevelopment in the realm of economy. This barely registers in most histories of the Cold War, and it is instructive that those few historians who acknowledge Soviet economic reality then find it necessary to dismiss the idea that material resources bear much of a relationship to global power. In the *Cambridge History of the Cold War*, for example, historian Odd Arne Westad wrote: "But even though Soviet capabilities overall were more on the scale of Britain and France than on those of the United States, the militarization of the Soviet economy and its society made it a formidable opponent in international affairs. First and foremost it constituted the other superpower as a result of its oppositional ideology: it was the only great power that throughout the Cold War steadfastly opposed US objectives and refused to be integrated into the global capitalist economy. By doing so it carved out a primary role for itself in international affairs, at great expense to its development over time."⁶ A curious thing

⁶ Odd Arne Westad, "The Cold War and the International History of the Twentieth Century," in Melvyn P. Leffler and Odd Arne Westad, eds., *The Cambridge History of the Cold War*, vol. 1 (Cambridge: Cambridge University Press, 2010), 11. This criticism of Westad's emphasis on ideology and his dismissal of the variegated importance of the Soviet Union's comparative underdevelopment is not meant to lump his scholarship with that of a more obfuscating pedigree that barely admits the constraints imposed by Soviet economic weakness. In fact, the Cambridge volumes he edited are laudable for their incorporation of views that conflict with that of his most recent scholarship on this matter. For example, in his essay in the same volume Charles Maier contends that "distinctions between socialism and capitalism seemed fundamental to ideological identity and to bloc cohesion in

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that: dismissing economy when it comes to assessing Soviet global power. Of course Osama Bin Laden proves Westad right in the power that is garnered in the simple act of opposing. But to close that logical loop, Westad further requires Soviet autarky (its refusal “to be integrated into the global capitalist economy”). And Soviet autarky is wrong.⁷ Rather than dismissing it, histories of the Cold War would do better to come to terms with the reality of Soviet economic underdevelopment before any arguments about “superpower” rivalry can be engaged.⁸

This book has much to say about the Soviet Union’s economic engagement of the global South, but argues that Western Europe (and to some extent Japan) was the real focus of Soviet commercial and economic ambitions. There is a pivot in progress in the literature of the Cold War toward the global South.⁹ The argument is that with the building of the Berlin Wall (that great signifier of Soviet autarky) the Cold War stagnated in Europe, whereupon Soviet and American energies were redirected south.¹⁰

the 1950s,” (in *ibid.*, 44) a formulation that seems to see the ideological conflict as more a matter of discourse than practice, whereas he perceives economic international policymaking on both sides as much more convergent than Westad and much Cold War scholarship allows. Maier’s formulation points to another theme that this book addresses only in passing but that has been developed most forcefully by Mary Kaldor: The Cold War’s ideological discourse so redolent of martial conflict on both sides was a tool more important to the cohesion and discipline of domestic audiences in America, Europe, and the Soviet Union than for the battle for minds and hearts abroad – which is a formulation not intended to deny that the battle for hearts and minds abroad was in-existent or even irrelevant, it was simply less consequential and useful a tool for international audiences, as at least Soviet leaders often acknowledged when abroad. See Mary Kaldor, *The Imaginary War. Understanding the East–West Conflict* (Oxford: Blackwell, 1990).

⁷ His insistence on the power of ideas is also perplexing. In his often excellent and important *The Global Cold War. Third World Interventions and the Making of Our Times* (Cambridge: Cambridge University Press, 2005) Westad achieved the dubious narrative feat of combining a discursive origin to the Cold War that ignores the power of economy to constrain and structure with a structural denouement to the Cold War that is dependent almost wholly on it, all in the space of one volume.

⁸ Appleman Williams pointed out the limitations of Soviet power long ago. “Startling as it may seem,” he wrote, “in view of the constant emphasis on Soviet military power, the central fact confronting any past or present Russian leader is the imbalance of the economic and political development of the nation. Czarist and Soviet history is the record of a continuous, all-pervading struggle to reach a minimum level of material well-being, let alone relative prosperity or actual wealth.” William Appleman Williams, *The Tragedy of American Diplomacy* (Cleveland: World Publishing Company, 1959), 280. Alexander Gerschenkron calculated that on the eve of World War I the industrial output of large-scale industry of Russia was 6.9 percent that of the output of the United States. See Gerschenkron, “The Rate of Growth in Russia: The Rate of Industrial Growth in Russia, Since 1885,” *The Journal of Economic History* Vol. 7, Supplement: Economic Growth: A Symposium (1974): 155.

⁹ Inaugurated most forcefully by Westad, *The Global Cold War*.

¹⁰ Jeremi Suri’s idiosyncratic *Power and Protest. Global Revolution and the Rise of Détente* (Cambridge: Harvard University Press, 2003) uses this trope to a different purpose, one that compels the two superpowers to look inward in defense of their legitimacy rather than outward toward the South. This is certainly a step in the right direction, causing his book to lie uncomfortably in the canon of Cold War literature.

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In fact, the Cold War remained very dynamic in Europe, particularly commercially and financially. But inasmuch as Cold War historians have moved away from the importance of commerce and finance to chase the chimera of ideology, they have found it necessary to move away from post-Berlin Wall Europe. It has also proven difficult to sustain a Cold War narrative of bipolar struggle in a context (Europe) in which the Soviets are seeking accommodation and a modicum of integration. But Europe remained a much more important arena than any in the global South, and erasing it from the Cold War master narrative after the early 1960s obscures the unremitting, hypocritical American hostility to Soviet economic interests in Western Europe that informed Soviet policy everywhere else.¹¹

This book also reconsiders East–South relations in light of the material resources that informed each country. Much ink today is spilled over the idea that the Third World was presented with two models of development to choose from, whereby the choice placed a country in one camp or the other. But the reality was complex enough to make this academic formulation unintelligible. In the global South, the choice was not a matter of premeditation and implementation. Choices were made within an evolving structure of constraints and possibilities continuously generated by a global liberal economic order and an international politics largely dominated by the United States and the existing and then former empires of Europe. Indeed the middle-income economy of the Soviet Union was subject to these same dynamics, as this book illustrates.

In the course of telling the story of Soviet trade, the narrative tries to do away with a persistent idea that has very little evidence behind it. In relating the transition between Joseph Stalin and Nikita Khrushchev, historians have often talked about Soviet agents “fanning out” and “wooing” the Third World.¹² This is introduced as an absolutely new policy that radically distinguished Khrushchev from his more careful predecessor. This kind of language is particularly problematic. In using it, historians perpetuate the racialized and gendered worldview with which the State Department looked at the world. The Third World is made to lack ambition and initiative, both manly characteristics found more readily

¹¹ The crucial importance of Western Europe to the Soviet Union has been recovered in Jonathan Haslam, *Russia's Cold War. From the October Revolution to the Fall of the Wall* (New Haven: Yale University Press, 2011).

¹² In keeping with the practice of using particularly good histories to make critical commentary on the field, see Aleksandr Fursenko and Timothy Naftali, *Khrushchev's Cold War. The Inside Story of an American Adversary* (New York: W. W. Norton & Company, 2006), 58, for an example of this language.