H-Net Reviews
in the Humanities & Social Sciences

Loopholes in the Iron Curtain. Economic Contacts between Eastern and Western Europe since the 1970s. Institute for Eastern European History, University of Vienna; Imre-Kertész-Kolleg, University of Jena; in cooperation with the Institute for Human Sciences in Vienna and supported by Osteuropaforum, University of Vienna, 18.04.2013-19.04.2013.

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Published on H-Soz-u-Kult (September, 2013)

Loopholes in the Iron Curtain. Economic Contacts between Eastern and Western Europe since the 1970s

The history of the Cold War has been predominantly narrated as a history of conflicts, confrontation, and competition: According to the doyen of American Cold War Historiography, John Lewis Gaddis, the détente was doomed to fail with the renewal of the armament race and the proclamation of various boycotts. In contrast, the growing economic relations between Eastern and Western Europe since the 1960s tell a different story. Despite changing political conditions, the contacts between companies and individual economic agents in Eastern and Western Europe developed dynamically until 1989 and beyond, thereby stressing the endurance of mutual exchange, cooperation, and influence.

Based on these observations, the international workshop explored the dynamics of East-West trade, investment, and small scale economic exchange, whereby investigating two levels of economic interaction: The first concentrated on official economic relations, which were generally based on bilateral contracts. The case studies introduced German, Italian, British, as well as Austrian companies and their eastern contacts. The second focused on unofficial areas of economic exchange such as retail trade, bartering, smuggling, or tourism. The countries dealt with on the eastern side of the permeable Iron Curtain were the GDR, Poland, Czechoslovakia, Hungary, Estonia, and the Soviet Union.

In the introductory session, the two conveners mapped out the central topics of this workshop. PHILIPP THER (Vienna) first developed a counter-narrative to the common confrontational interpretation of the Cold War. He argued for a "relational history of the Cold War", which focuses on mutual perceptions and exchanges beneath the political or diplomatic level. He pointed to the relevance of economic contacts for this period, specifically mentioning the Pipeline Deal ("Gas gegen Röhren") between West Germany and the Soviet Union. The problem of this counter-narrative is its lack of heroes and dramatic peaks of action, while it rests upon endless negotiations, backroom deals and a - morally sometimes questionable - rapprochement. Second, little is known about the eastern activities of major western companies. Even less is known about small trade, services and the sphere of the grey economy. And thirdly, referring to research on 1989, Ther criticized the understanding of the breakdown of state socialism and of the Soviet Empire as an "hour zero", and claimed that late Cold War Contacts were relevant for economic cooperation after 1989.

WŁODZIMIERZ BORODZIEJ (Warsaw/Jena) concentrated on the agents who were able to cross the Iron Curtain: The exchanges were not limited to the elites, as the prior research project "'Schleichwege'. Inoffizielle Begegnungen sozialistischer Staatsbürger zwischen 1956 und 1989" had already shown. Borodziej then asked whether the East-West-contacts contributed to the stabilization or destabilization of the Communist system. This question remained an issue of dispute throughout the workshop: On the one hand, the import of technology and of scarce consumer goods helped to alleviate the chronic deficits of the planned economy. On the other hand, the rising contacts with the West demonstrated the deficits of state socialism.

The first three case studies concentrated on large scale economic co-operations by British, Italian and Austrian companies with Eastern Bloc countries. While Great Britain conducted more trade with Eastern Europe than any other Western European country in the 1960s, it fell to a backseat position in the 1980s. ANGELA ROMANO (London) explained this decline by the lack of a clear government policy concerning trade relations with the East, and by the loss of competitiveness. This points to a major first result of the workshop: The Eastern markets were indeed seen as very competitive,

and included global players such as Japan. This also holds true for European car-production, which was dealt with by VALENTINA FAVA (Helsinki/Milano). She introduced yet another "deal of the century", namely the license production of Fiat cars in the Soviet Union. With political interests behind the cooperation and even American support, active Italian communists were mostly excluded from the decision making and the delegations to the Soviet Union. Fava also showed how conflicts over authority between the factory in Togliatti and various Soviet government institutions were an obstacle for enlarging this promising cooperation.

MAXIMILIAN GRAF (Vienna) covered the case of VÖEST-Alpine, which delivered an entire converter steelwork to Eisenhüttenstadt in the GDR, thus also securing the survival of the company during the steel crisis in the 1980s. These deals were made on a basis of western credits and guarantees, thus creating a rising dependency on the West. It was then lively debated whether the foreign debts made the Communist regimes softer and more reform-oriented. WOLFGANG MUELLER (Vienna) gave an insight into the political framework behind those deals and the strategy of the Council for Mutual Economic Assistance (CMEA) towards the West. While the European Community was originally seen as a ploy of US-imperialism, it was later accepted as a trading and political partner in its own rights. Here the smaller member states of CMEA proved to be the motivating forces, as they were dependent upon mainly agrarian exports to Western Europe. The commentator KIRAN KLAUS PATEL (Maastricht) concluded that the economic contacts were not as subordinated to politics as the Cold War historiography suggests. He also questioned the caesura of the 1970s as set in the conference title, and indeed many large scale deals were planned or conducted already in the 1960s. Still, the 1970s mark the period when most business contacts bore fruit, and also the economic contacts "from below" acquired a different dimension due to the beginnings of mass tourism.

What were the effects of the official East-West contacts on the public at home? PAVEL SZOBI (Prague) concentrated on the role of Intershop and Tuzex shops in the GDR and the CSSR: Originally established to collect foreign currency, they increasingly provided an ever growing, if still restricted consumer public with products that were under shortage in regular stores, but also with "Western" products which were often licensed and produced in the Communist countries themselves. GYÖRGY PETERI (Trondheim), on the contrary, showed that the World fair of hunting in Budapest in 1971 - the only world fair in a socialist country - boosted the national pride of a vast number of Hungarian visitors: Having the "world at home" convinced them of the international competitiveness of Hungary. The commentator Wolfgang Mueller highlighted the attempts of the communist regimes to increase the living standards of the population as a measure of political appeasement. The accessibility (at least for some) of foreign goods and their comparison to the home-made production could both stabilize and discredit the ruling regimes.

The section was completed by a roundtable discussion with practitioners of East-West economic exchange during the Cold War, presenting the former or still active CEOs PÉTER FELCSUTI (Budapest), OSKAR GRÜNWALD (Vienna), GRZEGORZ KORYTOWSKI (Poznan) and the former Austrian minister of finance FERDINAND LACINA (Vienna). The panelists, chaired by JÁNOS M. KOVÁCS (Vienna), were asked to state their best and worst experiences made during their career. Grünwald referred to the spectacular contracts won by the ÖMV since 1968, but also showed how bureaucratic incompetence prevented other large scale contracts. Felcsuti and Lacina both stressed positively the integration of Hungary into the global financial markets and its accession to the IMF, while Lacina also referred to Western obstacles such as the Cocom-list of technologies forbidden for export. Korytowski, at the time involved in the import of computers, explained how import restrictions could be circumvented: Computer chips were removed from the computers which were imported to Poland in parts, resulting in the computerization of communist Poland with more than 100.000 imports. Both small scale business experiences and the large deals support the argument that the transformation and the function of Eastern Europe as a workbench of Western, especially German companies were indeed pre-formed prior to the changes of 1989.

The next section dealt with "Economic contacts from below", concentrating on economic exchange both on the black and the grey markets. JERZY KOCHANOWSKI (Warsaw) discussed the role of foreigners on the black market in Poland. "Foreigners" were considered those with the "right" foreign passport and therefore with the legitimate means to cross borders, which included not only tourists, truck-drivers, diplomats, sailors or other relatively regular visitors to Poland, but also Polish emigrants who had acquired a "Western" passport, as well as foreign students from Ghana, Congo, or Ethiopia. Concerning the import of Western goods, the Iron Curtain proved quite brittle, especially so in border towns or harbors as well as the big cities and transport hubs. ANNA PELKA (Munich) concentrated on the blue jeans and youth fashion in general and their political impetus in

Poland and the GDR: In the early 1970s, "consumer socialism" was extended also to youth fashion, which implied the appearance of new textiles in the GDR, the loosening of the ban for "Western-style" clothing, and finally the quadrupling of youth clothing warehouses in Eastern Germany. This liberalization was to disinterest young people from politics and avoid protests such as those in 1968. Due to the growing economic shortages from the 1970s on, and enhanced by the political crisis in Poland leading up to 1981, the production of fashionable clothes came to a hold again.

The import of technology was a different matter. As PATRYK WASIAK (Warsaw) explained, the computerization of Poland developed in the 1980s both legally and illegally, by way of individual or small-scale import of personal computers, until Poland was the most computerized country in the Soviet Bloc. The personal computers were imported from either West Germany or the Far East, mainly Singapore or Taiwan. A network of "intermediary sellers" and computer bazaars handled the distribution in Poland. The availability of PCs prepared large sections of the private business sector for the leap into the technologically advanced economical system of the 1990s. In his comment, DIETER SEGERT (Vienna) concentrated on the missing link between formal institutions and informal practices, and pointed at the importance of state representatives as generally under-researched agents both for smuggling and the black market.

EVA KOVÁCS (Vienna/Budapest) went beyond the year 1989 and offered an interpretation of how shadow economy and the skills trained in the shadow proved quite useful in the transition period and actually led to successful businesses both in communist and in capitalist societies. Her interviewees in the Hungarian village Villány had all started producing wine for the black market already in the 1970s. These businesses taught not only a proto-entrepreneurship, but enabled a preliminary accumulation of capital and increased the knowledge as well as network resources, which enabled them to build their businesses according to the new rules of the capitalist game already early in the transition period. LARS FREDRIK STÖCKER (Tallinn), on the other hand, presented a bi-national example of breaching the Iron Curtain by concentrating on the steamship connection between Estonia and Finland. The ferry undertaking flourished despite all difficulties created especially by the Soviet representatives, making Finns in Tallinn a rather common sight by the late 1960s. By the 1980s, 100.000 tourists per year used the ferry connection, letting the influx of Western consumer goods into Estonia grow to a quite significant level and therefore creating a de facto uncontrollable channel of goods between East and West.

The final discussion brought up the question whether these considerations should be framed by a larger discussion on globalization: Although the case studies concentrated on relations between Eastern and Western Europe, it was striking how other parts of the world, mostly the so called "Third World", was present in these stories, often as an alternative to the two-Blocs narrative. Kiran Patel asked whether Western Europe may have considered Eastern Europe as only one of many available markets next to Africa or South America, while Joachim von Puttkamer (Jena) suggested a framework of interpretation on a global scale. In his final comment, Włodzimierz Borodziej concluded that the presentations modified the originally posed assumption of the early 1970s as a caesura for East-West contacts. Except for the internationalization of fashion in the GDR and Poland, the other case studies offered mostly earlier dates for mutual contacts, while some exchange, such as the import of computers, began only in the 1980s. At the same time, the question remains open if and how both formal and informal economic exchange between East and West contributed to the dissolution of the communist regimes, and if it had trained the agents in some way for the transition period in the 1990s. Thereby, the relevance of individual agents was stressed: Especially the role of emigrants became highly visible as mediators and transmitters both of knowledge and of goods in both directions, and as central figures in networks necessary for formal or informal trade. Contacts and cooperation may not only be analyzed as a form of understanding and agreement, but also with a view on obstacles, frustration and negative experiences. Focusing on emigrants, smugglers, tourists, or small entrepreneurs, the heroes of this alternative story of the Cold War might be found at last.

Conference Overview:

Philipp Ther (Vienna)/Włodzimierz Borodziej (Jena): Introduction

Panel 1: Official econonomic contacts I
Chair: Oliver Rathkolb (Vienna)

Angela Romano (London): Synthetic fibres, authentic links: The Courtaulds plant, Sir Norman Wooding and the East

Valentina Fava (Helsinki/Milan): Between Corporate Profit and Cold War Politics. Fiat Strategy in the Soviet Union from 1965 to 1985

Maximilian Graf (Vienna): Large scale orders in return for credits? The VÖEST and the smelters of Eisenhüttenstadt/GDR

Wolfgang Mueller (Vienna): East-West Trade and the Emergence of the CMEA's Strategy toward the EEC

Comment: Klaus Kiran Patel (Maastricht)

Panel 2: Roundtable: Economic Contacts between Eastern and Western Europe and the Changes of 1989
Chair: János Kovács (Vienna)

Péter Felcsuti (Budapest). Former CEO Raiffeisen Bank in Hungary

Oskar Grünwald (Vienna). Former CEO of the ÖIAG (Austrian Industry-Holding Stock Corporation)

Grzegorz Korytowski (Poznan). CEO of OWA Polska

Ferdinand Lacina (Vienna). Former Austrian Minister of Finance (1986–95)

Panel 3: Official econonomic contacts II
Chair: Joachim von Puttkamer (Jena)

Pavel Szobi (Prague): Devisenläden als Schauplätze des Westens. Intershop und Tuzex

György Peteri (Trondheim): The World Fair of Hunting in Budapest 1971

Comment: Wolfgang Mueller (Vienna)

Panel 4: Economic contacts "from below" I
Chair: Włodzimierz Borodziej (Jena)

Jerzy Kochanowski (Warsaw): Durchaus materielle Transfers. Ausländer in der Volksrepublik Polen auf Schleichwegen des Ost-West-Handels

Anna Pelka (Munich): Die staatssozialistische Mode zwischen westlichen Modellen und heimischer Mangelwirtschaft

Patryk Wasiak (Warsaw): The Digital Revolution of the 1980s in Central Europe

Comment: Dieter Segert (Vienna)

Panel 5: Economic contacts "from below" II
Chair: Philipp Ther (Vienna)

Eva Kovács (Vienna/Budapest): On the Legacy of the Communist Shadow Economy in Hungary - The Small Miracle of Villány

Lars Fredrik Stöcker (Tallinn): Smuggling in the Baltic and the Political Dimension of East-West-Contacts

Comment: Włodzimierz Borodziej (Jena)

Final Discussion

If there is additional discussion of this review, you may access it through the list discussion logs at:
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Citation: Sarah Lemmen. Review of , *Loopholes in the Iron Curtain. Economic Contacts between Eastern and Western Europe since the 1970s.* H-Soz-u-Kult, H-Net Reviews. September, 2013.
URL: http://www.h-net.org/reviews/showrev.php?id=39974

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