“Many are asking what perestroika was, where it has taken us,” wrote Georgy Shakhnazarov, one of Gorbachev’s top advisors, in his memoir. “The answer is simple: it is yet another Russian march to the West.”¹ After forty years of East-West conflict, the reunification of Germany, and big cuts in the superpowers’ nuclear arsenals, it is easy to see why Shakhnazarov thought that Russia had begun a new era of westernization. The notion of a ‘march to the West’ was not a new one in Russian history. Some of the country’s most influential reformers, like Peter the Great, whose military prowess established Russia as a great power, or Alexander II, who freed Russia’s peasants from serfdom, embraced the notion that their policies had westernized Russia. To them, Westernization meant modernization. By the end of his time in power, Gorbachev had eagerly taken up this mantle, publicly comparing himself to both Peter I and Alexander II, and highlighting his own westernizing credentials.²

Yet there is reason to be skeptical that perestroika really was an attempt to copy the West, at least in terms of economics. To be sure, the liberal Soviet intelligentsia deeply admired the United States and Western Europe, and wished that their society could become more tolerant, more sophisticated, and more—as they saw it—like the West.³ A handful of these scholars and academics even published their memoirs in English, shaping the West’s belief that perestroika

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² Renata Fritsch-Bournazel, Europe and German Unification (Berg Publishers: Providence, RI, 1992), p. 33
³ For an extremely perceptive discussion, see English, Russia and the Idea of the West.
and glasnost were an attempt at imitation. But the intelligentsia constituted just one part of Soviet society, and it is far from clear that the Soviet leadership supported perestroika because they thought it was a Westernizing project. Many in the Soviet elite saw Westernization as treason. After all, the Red Army had spent the past forty years preparing to annihilate the West in a nuclear war, and many Soviet officials believed that Westernization threatened the Soviet Union with international impotence and internal dissent. The KGB and other security organs had constructed elaborate layers of protection against Western propaganda and intrigue to ward off this threat. Top conservative politicians—like Yegor Ligachev, who was Gorbachev’s second-in-command from 1985 until 1990—were deeply skeptical of free speech, political competition, and private property, and saw Stalin as a great leader. But they nonetheless actively supported perestroika in its initial years. Perestroika ended as it did, Ligachev argued, not because it was intended as a Westernizing project, but because it was hijacked by pro-capitalist radicals in its later stages. If perestroika had been about Westernization from the outset, conservatives like Ligachev would not have supported it.

In terms of its economics, however, the case for seeing perestroika as a ‘march to the West’ is usually seen as obvious. Surely Soviet policymakers knew that they needed to make their economy more like that of Western countries if they wanted to approach Western standards of living. But the reality, this chapter will suggest, is rather more complex. In fact, the Soviet scholars and policymakers who helped shape economic policy in the mid-1980s had a sophisticated understanding of the global economy. Soviet ideologue Andrei Zhdanov may have declared in 1946 that the world was divided into two political camps—the imperialist West and

6 Ibid., e.g., p. 273
the democratic USSR—but Soviet economic analysts in the 1980s knew that there were several varieties of both socialism and capitalism, each of which placed different levels of emphasis on planning, markets, trade, and industrialization. The new political openness of the 1980s meant that the applicability of these models to the Soviet Union could be discussed openly, often for the first time, and Soviet analysts embraced the opportunity to cast a wide net in searching for ways to improve their economy. The most natural place to look, at least at first, was toward the six countries of the Warsaw Pact.

1. Eastern Europe as a Laboratory for Reform

Economic reform in the Soviet Union’s Eastern European allies began nearly two decades before perestroika. Even before that point, of course, the economies of the Warsaw Pact countries were very different from the USSR’s. Some of them—especially Czechoslovakia and East Germany—started out much wealthier, more technologically advanced, and more urbanized than the Soviet Union. The transition to socialism happened differently, too. Though Eastern Europe’s communist governments committed their share of crimes, none of them approached Stalin’s brutality in industrialization. Even the ultimate goals of economic policy in Eastern Europe sometimes differed from the Soviet Union. In Poland, for example, the government decided not to collectivize agriculture, even though Soviet leaders believed this was a necessary step in the road to communism.

Yet for the first two decades after the communist takeover, the economic policies that Eastern Europe enacted were remarkably similar to those in the USSR. That began to change in the late 1960s, and picked up pace after the Prague Spring in 1968 shook Soviet power in Eastern Europe to its foundations. Most Soviet leaders did not regret using the Red Army to overthrow
Alexander Dubcek’s reformist regime in Prague (though some intellectuals did), but even the conservatives recognized that the costs of intervention were too high to ever repeat. Some of the USSR’s socialist allies were deeply uneasy with the wanton deployment of the Soviet military to ‘defend socialism’, and the intervention brought forth universal condemnation in the West. The domestic ramifications of the invasion were equally problematic, since the intervention definitively disproved the notion that local populations welcomed Soviet hegemony in Eastern Europe.

Soviet leaders decided that the solution to political unpopularity in Eastern Europe was economic growth—even if that meant experimenting with ideologically questionable policies that relied on markets. That matched what some Eastern European leaders wanted to do anyway. Market-based reforms went furthest in Hungary. Even before Soviet troops invaded Czechoslovakia, Hungarian economists and policymakers had recognized the need for change, both because Hungary had exhausted the economic returns from moving peasants into factory jobs, and because the country was regularly constrained by its inability to import enough consumer goods and technology from the West. The government therefore introduced a series of policy changes in 1968. Official prices were increased, so that they became closer to where they would have been in a free market, thereby reducing shortages. At the same time, the government cut the number of indicators that it used to control enterprises. That reduced the number of economic decisions that were centrally-planned and let enterprises respond to market forces, which they were better able to assess than bureaucrats in Budapest.

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10 Ibid., p. 168-70
reforms was to move Hungary toward a market economy without actually jettisoning communist ideology. The results of Hungary’s reforms were good, at least in the 1970s. Other Eastern European countries followed with attempts to shake up their economies.¹¹ The results of Hungary’s experience—and that of Yugoslavia, which also sought to harness markets toward ‘socialist’ aims—inspired those in the Soviet Union who were hoping that their country might also move toward the market.¹² Dissident Soviet economists believed that the ‘capitalist’ methods that Hungary used in agriculture, for example, could be implemented in the USSR, and that economic output would increase if such changes were made.¹³

But by the 1980s, when Soviet leaders began seriously searching for lessons about reform, Eastern Europe looked far less impressive, at least from Moscow’s perspective. The Warsaw Pact countries that had embraced reforms faced a pair of new challenges: debt and political upheaval. The two problems were linked. To deal with restive populations, which were unhappy about the continued underperformance of their economies compared with the West, Eastern Europe’s governments began borrowing heavily from the West to pay for imports of technology and consumer goods. When the bill came due and Eastern European governments tried to implement austerity measures, their populations pushed back, sometimes taking to the streets. Yet more generous benefits were needed to placate protestors.¹⁴ Hungary, Poland, Romania, and East Germany all found themselves deep in debt by the early 80s, and they all had to implement austerity programs and reschedule their payments in order to balance their books.

¹¹ Though in Czechoslovakia and East Germany, policy focused not on enhancing the use of markets, but on perfecting the planning mechanism; see Lowell Dittmer, Sino-Soviet Normalization and Its international Implications, 1945-1990 (University of Washington Press: Seattle, 1992), p. 294
¹³ English, Russia and the Idea of the West, p. 142
Soviet analysts watched with horror as Eastern Europe’s sovereign debt crisis began to spiral out of control during the 1980s. Soviet research institutes, most notably the Institute for the World Economy of the Socialist System, which focused on Eastern European affairs, conducted a series of reports on the subject for top policymakers, noting that even Hungary, one of the most effectively managed Warsaw Pact countries, was mired in debt. Other researchers examined the role of banks from specific Western countries, like the United States, in creating Eastern Europe’s debt crises. The facts were deeply worrisome. Poland had accumulated twice as much foreign debt, in dollar terms, as the Soviet Union, even though the USSR had a population several times larger. And Poland’s debt burden was not unique: in 1979 Poland had $527 of foreign debt per citizen, compared with $574 in East Germany and $660 in Hungary.

Eastern Europe’s debt burden increased in spite of the massive energy subsidies the Soviet Union provided Eastern Europe during the 70s and early 80s, which at market prices amounted to a transfer of tens of billions of dollars each year. But many Eastern European countries had borrowed so much from the West that they had to spend a third of their export earnings to pay the interest. This was unsustainable. Poland defaulted on its debts to Western banks in March, 1981, and Romania followed several months later. Even the countries that didn’t default had to implement strict austerity programs to balance their budgets. Eastern Europe as a whole cut imports from the West by 25% between 1980 and 1983, squeezing

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15 E.g., IEMSS F1933s, D17s-633, “O valiutnom polozhenii VNR” (Concerning the Currency Situation in the Hungarian People’s Republic), N. S. Osipov, cited in Ouimet, p. 295
16 ARAN F2021, O2, D37, “Credit policy of the US in relations with socialist countries,” March 3, 1987
17 This refers only to debt to the capitalist world. Data is from 1985; see Maier, p. 63.
18 Data from Ouimet, p. 274.
19 Maier, p. 63
20 Dittmer, p. 300
consumers and reducing investment in new technologies.\textsuperscript{22} Even then, Soviet analysts knew, Western banks were not going away. One group of New York bankers told a top Soviet official in January 1982 that, regardless of the rescheduling of Poland’s debt, they did not plan to write off the loans, and expected their $13 billion to be repaid.\textsuperscript{23}

Soviet analysts were well aware of the risks associated with high debt burdens. Eastern European leaders regularly reminded Soviet interlocutors of their debt problems, hoping that Moscow might provide aid in order to stave off default. Hungarian leader Janos Kadar warned Soviet officials that “a financial crash in Hungary…would carry an extremely negative propaganda significance; it would sharpen still more the problem of cooperation between East and West; it would create diplomatic difficulties for the entire [socialist] camp.”\textsuperscript{24} Other Hungarian officials relayed a similar message, underlining the need for restructuring relations between the USSR and East Europe, by which the Eastern Europeans meant higher subsidies, especially in the form of cheap energy. Jozsef Marjai, vice president of Hungary’s Council of Ministers, insisted to Soviet colleagues that socialism itself was at stake: “We are talking about the fate of the socialist system,” he insisted. “It is easy to lead anything to collapse, for this one simply has to do nothing; but to correct it will already be much more difficult, if not impossible.”\textsuperscript{25}

Soviet officials did not need a reminder of the political risks. From the beginning of Eastern Europe’s economic reforms, Moscow had worried that economic change might lead to political liberalization. Loosening central planning, after all, threatened the heart of the Soviet economic system. If communists didn’t keep a firm grip on the commanding heights of the

\textsuperscript{22} Ibid., p. 147
\textsuperscript{23} Memo regarding the Academy of Sciences delegation that Inozemtsev led to the US on Jan. 10-26, 1982, ARAN F1978, O1, D619, L2-20.
\textsuperscript{24} Cited in Ouimet, p. 251-2.
\textsuperscript{25} Ibid., p. 252
economy, how could they maintain control of politics? When Karen Brutents, a top Soviet bureaucrat, visited Hungary in 1972—just a handful of years after serious reforms began—he told his friend Anatoly Chernyaev that the political ramifications of Hungary’s economic liberalization were deeply worrisome. “Impressions: vigorous economic activity, the store shelves are full of goods, the prosperity is evident and obvious. But the ‘middle class’ and intelligentsia profit from it mostly, the workers much less so. The gap is growing, as are internal tensions. Ideological ‘debauchery,’ though they clamped down on the striptease joints. The apparatus and in the higher echelons of the party are already dividing into ‘we’ (the healthy forces) and ‘they,’ for whom ‘Moskvich’ and ‘Volga’ cars are no longer enough, they want Mercedes. There are forecasts that ‘quite something’ will happen if this continues for another year-year and a half.”

Brutents’ timing was off, but his predictions of political strife were not inaccurate. Political tension in several East European countries continued to mount. The situation was most explosive in Poland. Compared with other states in Eastern Europe, Poland’s communist government had never managed to establish a sense of legitimacy or firm control over the population. The two years after 1968 were a time of violent upheaval in Polish politics, and order was only restored, barely, by a full-scale change in government, as Edward Gierek replaced Wladyslaw Gomulka. The new leadership sought to buy support with funds borrowed from the West, but this simply exacerbated the financial stress. By 1980, Poland had reached another crisis, this time more acute than a decade earlier. On July 1, 1980, needing to implement austerity measures to balance the budget, the government drastically increased prices. The

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26 Anatolii Chernyaev, diary entry on May 9, 1972, translated and edited by Anna Melyakova and Svetlana Savranskaya, http://www2.gwu.edu/~nsarchiv/NSAEBB/NSAEBB379
population was unwilling to pay. An independent labor union, Solidarity, soon emerged as a leader of a protest movement against price hikes, and as the protestors realized their power, their demands widened to include political change, too.

This was Moscow’s worst nightmare: a replay of Prague in 1968. Soviet officials were deeply afraid, and responded with threats. Pravda, the flagship Soviet newspaper, criticized “narrow nationalist positions” as attacks on “socialist practice,” suggesting that Moscow would not tolerate any change in Poland’s political system lest the country deviate from the socialist path. The Red Army conducted military exercises on Poland’s border and in the Baltic Sea, threatening invasion. Eventually, Warsaw ‘resolved’ Moscow’s concerns by declaring martial law in 1981, but Soviet officials realized that this was only a short-term fix. Poland’s attempt to open up to the West, borrowing money in order to buy more Western products and to increase industrial investment, had proven a disastrous failure. Soviet conservatives concluded that Poland suffered from “the separation of the vanguard from the masses,” because the vanguard had gotten distracted by Western capitalism. The sin of “capitulationism”—giving in to popular demands for economic reforms and openness with the West—was condemned across Moscow’s conservative media outlets. Soviet reformers were dismayed, too. Yegor Gaidar, a leading free-market economist who became prime minister in the 90s, wrote that Poland’s failures underlined the danger of “financial destabilization” and concluded that in reforms “the emphasis should be on financial stability.”

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27 Ouimet, p. 132
28 Ibid.
29 Qtd in ibid., p. 134
30 Ibid., p. 214
The broader lesson that Soviet policymakers drew from Poland’s crisis, however, was that Eastern Europe had not found a clear path out of socialist stagnation. It was not entirely fair, of course, to lump all of Eastern Europe together, particularly since the countries had tried such different policies. Some, like Hungary and Yugoslavia, sought to embrace market mechanisms in the domestic economy; others, like Poland and Romania, simply borrowed from abroad to fund a spending binge. Not all countries entered deep depressions like Romania, and not all saw political revolts, like those in Poland, which threatened communist rule. But not a single Eastern European country posted impressive economic results in the 1980s. Even the best performers barely limped forward; Hungary, which had previously been idolized by would-be market reformers, reported zero growth between 1985 and 1987, even as inflation hit 7%, a high level for a planned economy.\(^{34}\) Yugoslavia had an inflation rate of 200% per year as its foreign debt reached $21 billion by 1987.\(^{35}\) Soviet analysts began to turn away from Eastern Europe as a result. Some of the USSR’s western neighbors, particularly Hungary and Yugoslavia, remained sources of comparison for economic reform efforts, but after the debt crises and political upheaval of the late 70s and early 80s, no one in Moscow believed that these countries had found a sustainable path forward. In their search for models of reform, Soviet scholars and economists began to look elsewhere.

2. The West as a Model

Just as the experiments in the Soviet Union’s Eastern European laboratories began to go awry, Soviet scholars were also beginning to question whether the West’s economic experience held lessons for the USSR. For most of the postwar period, few in the Soviet Union were

\(^{34}\) Dittmer, p. 294
\(^{35}\) Ibid.
seriously interested in drawing economic lessons from the West. Though America’s and Western Europe’s economies had long provided higher standards of living than the Soviet Union’s, the USSR’s rapid growth rate meant that few in Moscow questioned socialism’s basic economic capabilities. Indeed, even into the 1970s, various types of socialism appeared to be winning converts worldwide. “See, even in the jungles they want to follow Lenin!” explained General Secretary Leonid Brezhnev, excitedly pointing to Asian and African attempts to ape the Soviet Union.36 International successes suggested that centrally-planned communism really was on the right side of history. It was not until the USSR’s rate of economic growth declined sharply in the late 70s and 1980s that Soviet scholars and policymakers began questioning its economic model in a sustained manner, and started to look west for lessons on how to get back on track.

Even more important than the slowdown in the Soviet economy, however, was a generational shift within the USSR’s elite. Brezhnev’s generation of Soviet leaders had all come of age in the era of Stalin’s terror and World War II. Living through these catastrophes profoundly shaped their politics and left them skeptical of outside powers, especially capitalist ones. Comparatively few of that generation’s leaders had studied foreign languages or lived abroad. Brezhnev personally exemplified this: when he was considered for an appointment in Paris in 1945, he said he would “climb the Eiffel Tower and spit on all of Europe.”37 Other Soviet leaders of Brezhnev’s generation were slightly more eloquent, but they shared his basic outlook.

In the 1980s, a younger generation began to take power. Brezhnev died in 1982. Gorbachev, who became general secretary in 1985, was the first Soviet leader since Lenin to finish university, and he brought a new spirit of openness to Soviet intellectual life. Academic

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36 English, *Russia and the Idea of the West*, p. 120
research institutes like the Institute of the USA and Canada and the Institute of the Economy of the World Socialist System had long cultivated critical, Western-oriented intellectuals.\textsuperscript{38} Many of these scholars had studied abroad in Eastern Europe, in cities that were far more cosmopolitan than Moscow. They had learned foreign languages like English and French, and had met students and scholars from other countries.\textsuperscript{39} Prague in particular was a center of cross-cultural exchange; it was also, in the words of one participant, a “’prep school’ for the Soviet party apparatus” during the 1960s and 70s.\textsuperscript{40} Many influential intellectuals—some of whom would become top advisers to Gorbachev—worked in Prague in the 60s on a journal called \textit{Problemny Mira i Sotsializma}, an experience that one participant said exposed him “to a huge amount of information on the outside world. And from all that, the idea of imperialist aggression, that the West posed a real threat to the Soviet Union, it instantly disappeared.”\textsuperscript{41}

As this new generation came to power, the effects of their ‘new thinking’ on Soviet foreign policy was immediately visible in Gorbachev’s attempt to reduce tension with the West and in his rhetoric about creating a ‘common European home.’\textsuperscript{42} But though Western-oriented intellectuals reshaped Soviet foreign relations and domestic politics, it is far less clear that interest in the West had concrete effects on the making of economic policy. Of course, it is possible to find dozens of examples of top Gorbachev advisors speaking positively about Western capitalist economies. For example, Abel Aganbegyan, a leading reform-minded economist, said in 1989 that he would give the policies of Britain’s conservative government under Prime Minister Margaret Thatcher “quite high marks,” in part because she is a “strong

\textsuperscript{38} See ibid. for a full account. 
\textsuperscript{39} Ibid., p. 72-6 
\textsuperscript{40} Ibid., p. 265, qting Arbatov. 
\textsuperscript{41} Ibid., p. 72, qting Chernyaev. 
leader who makes an unforgettable impression.”\textsuperscript{43} Aganbegyan also praised Ludwig Erhardt, the author of West Germany’s postwar ‘economic miracle’, though he noted that West Germany during that period was “a classic example of a highly regulated economy.”\textsuperscript{44}

But the influence of Western models on Soviet reformists is easy to overestimate. The pro-market economists who governed under Yeltsin in the 1990s were politically marginal in the 1980s. Yegor Gaidar, the free-market economist who later became Yeltsin’s Prime Minister, was deputy editor of \textit{Kommunist}, which marked him as a rising star in the Soviet intellectual firmament. But he was never a close advisor to Gorbachev, and there is little evidence that he significantly shaped policy in the 1990s.\textsuperscript{45} Other free market economists like Anatoly Chubais and Alexey Ulyukaev—both of whom played roles in the Yeltsin governments in the 1990s—spent the perestroika years participating in a secretive reading group where they read Friedrich Hayek and Milton Friedman, and hid from the KGB.\textsuperscript{46} They, too, had a limited effect on policy—and when they did publish, some of their more interesting articles were about the West, but about China. Boris Fyodorov, who was a finance minister under Yeltsin, published articles analyzing China’s banking system, for example.\textsuperscript{47} During the 1980s, therefore, the Yeltsin liberals did not have a significant ‘Westernizing’ effect on Soviet economic policy.

Beginning in 1989, and especially in 1990, there were other attempts to learn from the West, which were usually associated with programs of systemic reform prepared by teams of economists. Soviet economists Stanislav Shatalin and Grigory Yavlinsky, for example, worked

\textsuperscript{44} Ibid., p. 55
\textsuperscript{45} Gaidar himself argues that even though he regularly sent memos to Gorbachev during 1989 and 1990, his influence was limited because Gorbachev believed he was too radical; See Gaidar, p. 45-6; Freeland, ch. 2, especially p. 29.
\textsuperscript{46} Chrystia Freeland, \textit{Sale of the Century: Russia’s Wild Ride from Communism to Capitalism} (Doubleday Canada: Toronto, 2000), ch. 2; David Hoffman, \textit{The Oligarchs: Wealth And Power In The New Russia} (PublicAffairs: New York, 2003), p. 90-1
\textsuperscript{47} Boris Fyodorov, “Reorganizing the banking system in China,” \textit{Far Eastern Affairs} 1988, no. 1, p. 24-36.
with George Soros to bring Western economists like Wassily Leontief and Romano Prodi to Moscow in 1990 to provide suggestions on reform.\textsuperscript{48} The previous year, the deputy prime minister of Belgium had even suggested that the Soviet Union hire McKinsey, an American consulting firm, to restructure the entire Soviet government and economy.\textsuperscript{49} Gorbachev declined. What the Soviet Union lacked was not ideas—most economists and a majority of the political elite were, by the end of the 1980s, committed to moving toward economic liberalization in some fashion. Instead, Moscow lacked a political consensus about who should pay the costs of the transition to capitalism, including the budget deficits incurred while shifting to a market economy. Soviet leaders were interested less in Western ideas than in Western aid: the Soviet Union repeatedly asked for financial assistance, though the ‘Marshall Plan’ for which many Soviet officials hoped never materialized.\textsuperscript{50}

Because of this, before 1989, the West in general and America in particular were far less significant as sources of economic ideas than is usually thought. The West was important in that it showed how far behind the Soviet Union had fallen. But during the 1980s Soviet economists and scholars treated ‘lessons’ from the West’s economies skeptically. That is more understandable than it might now seem. For one thing, many Soviet scholars and policymakers, even those who recognized the deep flaws in ‘real existing socialism’, nonetheless believed in socialism as an ideal, and feared that emulating Western capitalism would bring capitalist problems, like terrible inequality and unnecessary poverty, to the Soviet Union. After all,


\textsuperscript{49} AGF F3, O1, Valentin Zagladin, “Spravka o besede s V. Klaasom i R. Yurbenom (Belgia, zam. Premier-ministra i ministr vneshnei torgovli),” Feb. 7, 1989

\textsuperscript{50} AGF F2, O1, “Pismo A. S. Chernyaevu ot A. Kokoina, direktora ISKAN,” Prilozheniiia – materiali ‘Situatsii na mirovom finansovom rinke I vozmozhnostakh CCCR po privlecheniiu financiovikh resursov’ u ‘Plan Marshalla,’ June 3, 1991. In his memoirs, Gaidar says that his ideas helped shape Gorbachev’s policies, particularly with regard to a 1985 report he wrote. Gaidar does not, however, provide any explicit evidence that this report actually influenced Gorbachev. Gaidar was clearly a crucial figure in the 1990s, but historians should be wary of reading this backward; see Gaidar, p. 29.
Gorbachev himself still professes to believe in a reformed socialism. His former second-in-command, Yegor Ligachev, remains a Communist Party member to this day. These convictions had real power, and restricted Soviet leaders’ willingness to emulate capitalists—especially the most ruthless capitalists like America. On top of these ideological motives, however, were what Soviet scholars would have termed ‘objective’ factors. Even Soviet leaders who had lost all faith in socialism had plenty of reasons to doubt the relevance of Western models for the USSR. During the late 1970s through the mid-1980s—that is, during the period in which ideas about economic reform began to take root in the Soviet Union—it was not clear to Soviet policymakers that Western capitalism was actually working.

3. The Decline of the West?

Soviet analysts saw many reasons to think that during the 1970s and 1980s, Western capitalism in general—and America in particular—were on the decline. The United States was still the wealthiest and most technologically advanced country in the world, but its lead was shrinking, and many believed that America’s economy would increasingly underperform its rivals. To be sure, there were many spheres in which America retained a dominant position. Supercomputers, for example, were produced primarily in America, and that was unlikely to change soon.\(^51\) Soviet scholars also pointed out that the United States had a remarkable track record when it came to spreading innovation. I. E. Artemev, for example, published an important book in 1980 titled *American Capital and Technology Transfer*, which noted the sharp contrast between American corporations’ ability to spread technology both within firms and between

\(^51\) See, for example, ARAN F2021, O2, D6, L23, “O perspektivakh proizvodstva I izpolzovaniia superkompyuterya,” 1985.

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them. The United States’ history of technological development had historically left other countries dependent on it for innovation.\(^{52}\)

But Soviet researchers nonetheless sensed that in the early 1980s America’s technological dominance was beginning to erode. They had many reasons for reaching these conclusions. One was that other countries were catching up to America in spending on research and development. Research by the USA-Canada Institute noted that in the early 1980s, the US spent less on R&D than West Germany and only slightly more than Japan—2.61% of GDP for the US compared with 2.7% for Germany and 2.4% for Japan. Counting only civilian (non-military R&D), both of America’s main capitalist economic competitors significantly outspent it, with Japan spending 2.5% of GDP and West Germany 2.6% compared with only 1.96% for the US.\(^{53}\)

Absolute numbers didn’t tell the whole story, Soviet analysis suggested. Japan and some European countries, especially Germany, had developed carefully-designed government programs to ‘target’ investment in high tech. Unlike America, which generally relied on market mechanisms to allocate investment, Japan created a public-private model that Soviet researchers thought would produce higher growth rates.\(^{54}\) This explained why Japan exported so many high tech goods to America. The conflict between the Japanese and the American models of funding investment in new technology was an important point of conflict. Soviet analysts speculated that “Sharp competition, unfolding today in markets for high tech production, forms a growing

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\(^{52}\) ARAN F2021, O2, D10, Review of I. E. Artemeva, “Amerikanski kapital i peredacha tekhnologii / mezhdunarodno-ekonomicheckie aspekty,” p. 183


\(^{54}\) Ibid., p. 4-6. See also M. Baskakova, “Osobennosti nauchno-tekhnicheskoi politiki iapontii,” MEMO 2 (1980):73.
scientific-technological factor in inter-imperial rivalry and conflict for leadership of the capitalist world.”55

America’s falling technological position was increasingly visible in trade patterns, Soviet scholars noted. Japan’s top export to the United States in 1985 was cars, followed by electrical machines and household electronics.56 By contrast, America’s top exports included basic commodities like grain, soy, coal, and lumber. Soviet scholars understandably suggested that an export base like this was unlikely to propel America’s economy in the 1990s or the 21st century.57 None of this meant immediate decline, of course. America was still the world’s technological leader. But Soviet scholars—like many analysts in America and across the world—thought that other economies, and other models of economic policy, were catching up.

In the Soviet Union, economic success meant industrial prowess. That notion motivated shock industrialization in the 1930s, and it also explained why the Soviet Union gave factories preference over households in postwar economic planning. Measuring by its industrial base, however, the United States in the late 1970s and early 1980s was ailing. The industries that had made America the wealthiest society in the world and that had provided the manufacturing might that won World War II, were decaying. Shipyards closed, steel mills were shuttered, and millions of American workers lost their jobs. Like many in the US, Soviet officials saw the collapse of America’s manufacturing base as a sign of structural problems in its economy.

Throughout the 1980s, scholars at the USA-Canada Institute in Moscow produced dozens of reports on America’s failing manufacturing sector, many of which were sent to the highest levels of the Soviet bureaucracy. Their message was consistent: America’s lead in manufacturing

was disintegrating because of structural weaknesses, above all high costs. A 1985 report, for example, found massive disparities in manufacturing costs between the US and Japan.

Examining the types of facilities used by large American firms like Boeing, Caterpillar, IBM, and ITW, the research found that a factory of 20,000 square meters built in Japan would cost $7 million, compared with $75 million in Massachusetts. 58

This price differential between American and Japanese manufacturing, reported a different USA-Canada Institute analysis, created a profound challenge for US industries. 59 The Soviet Union was not alone in drawing this conclusion, the institute noted. “The theme of the ‘Japanese offensive’ has become one of the central themes in the mass media, reaching political actors and bourgeois scientific research in the US.” 60 The result of this Japanese offensive was that the United States “in the 1980s saw a marked fall in the competitiveness of American products on the world capitalist market.” 61 Its manufacturing products were too expensive, while high tariffs and import quotas kept American agricultural goods out of many potentially lucrative markets, especially Japan. 62 This fall in competitiveness, combined with a strong dollar, meant that America’s ran an “unprecedented” trade deficit that was over $100 billion per year by the early 1980s. 63 America’s trade deficit with Japan therefore made up an increasingly large part of its total deficit. 64

In fact, Soviet analyses argued, America’s challenge was not just to reduce its trade deficit with Japan, but to learn from Japan’s economic policy successes. Some Americans had

59 ARAN F2021, O2, D19, 2-17, “Amerikansko-iaponskoe ekonomicheskoe protivorechie,” 1986, p. 1
60 Ibid., p. 1
61 ARAN F2021, O2, D12, 157-172, “Faktory I prezultaty otnositelnogo snizhenia konkurentosposobnosti obrabatyevaushchii promyshlennosti SShA v 80-e gody,” p. 1
62 Ibid., p. 1
63 Ibid., p. 1
64 Ibid., p. 3
already gotten the message Articles published in Soviet journals noted that American
corporations had begun adopting ideas from Japanese management thinking, like the ‘quality
circles’ technique of improving efficiency.\(^{65}\) A report on American manufacturing in 1986 noted
that GM—once the symbol of America’s industrial might—had created a new subsidiary called
Saturn in 1985, in an attempt to copy Japan’s car manufacturing methods.\(^{66}\) Japan’s success held
lessons for America’s government, too. An analysis by the USA-Canada Institute titled
“Government policy on the question of restructuring industry in the US,” for example, cited
prominent American authors like Chalmers Johnson and Robert Reich who argued that Japan
had better solutions to pressing economic questions. Johnson, for example, published an
influential book titled *MITY and the Japanese Miracle* in 1982, which examined how Japan’s
Ministry of International Trade and Industry (MITY) effectively managed economic growth in
Japan and avoided wasteful conflicts or industrial tension. Johnson’s conclusion—which was
also embraced by the Soviet scholars who cited him—was that Japan, not America, had the
economic policy institutions that would lead the world into the 21st century.\(^{67}\)

America’s structural weakness in manufacturing was an important cause of its general
macroeconomic malaise. The 1970s were a period of drift and stagnation for America’s
economy. The rapid growth of the 50s and 60s had slowed, replaced by a mix of high
unemployment and inflation—stagflation—which in turn exacerbated a series of other issues,
like the decline of manufacturing employment, depression in the ‘Rust Belt’, and continued

\(^{65}\) A. N. Kuritsyn, “Yaponskii menedzhment v SShA” *SShA: ekonomika, politka, ideologiia* 120:104-9; id.,
1986, p. 7
\(^{67}\) ARAN F2021, O2, D16, L94-113, “Politka pravitelstva po voprosu strukturmoi perestroiki promyshlennosti
disparities between incomes of white and black workers. In the 1980s, inflation rates fell as the Federal Reserve squeezed money out of the economy with sky-high interest rates, but America’s overall economic position was, in the eyes of most observers, no less cloudy, since unemployment increased markedly.

Soviet observers closely followed the apparent deterioration of American macroeconomic management. Scholars from top research institutes like IMEMO regularly attended conferences that analyzed the stagflation of the 1970s or the high unemployment of the early 1980s. In early May 1981, for example, a Soviet delegation participated in a conference in Prague on economic challenges in the capitalist world, where they “underlined that…in contemporary conditions capitalism can’t develop without governmental aid…[including] changes to forms of state interference. Reflecting the crisis of Keynesian methods of regulation, the role of the budget as an instrument of short term regulation and of redistributing national income is being reduced. The role of monetary policy is being strengthened.”

Judging by rising inflation and falling growth, few analysts saw this as a positive shift. It seemed, finally, that Marxist-Leninist predictions about capitalism were coming true: articles titled “Contemporary Capitalism and

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68 On the possibility of continued stagflation, see ARAN F2021, O2, D43, 206, “Perspektivy priyvoi ekonomiki I neobkhodimost pashirenia dialoga SSSR I SShA po voprosam mezhdunarodnoi ekonomicheski izaimozaviziomosti,” July 15, 1987, p. 4.
Mass Unemployment” had long been a staple of Soviet propaganda, but in the early 1980s America’s unemployment rate surpassed 10%, the highest level since the Great Depression.\textsuperscript{73}

Even as inflation and unemployment rates registered sustained decreases by the mid-80s, America’s financial system wobbled under the weight of the savings and loan crisis and the 1987 stock market crash, which Soviet scholars followed closely.\textsuperscript{74} At the same time, the policies that defeated inflation proved inhospitable to traditional manufacturing industries, which continued to hemorrhage jobs. Steel and cars, two industries that once represented the peak of American industrial might, now struggled to stay afloat.\textsuperscript{75} Because of these trends, it was far from clear that America had a model worth emulating. The causes of its malaise were varied, but Soviet analysts were most impressed by America’s competitors from East Asia, above all from Japan.\textsuperscript{76}

4. The Soviet Union turns East

By the 1980s, Soviet analysts were increasingly concluding that the future of the global economy lay in the Pacific. Japan’s tremendous growth was one reason. In America, Ezra Vogel’s bestseller \textit{Japan as Number One} captured the era’s expectations: clearly Japan worked better than Western societies; clearly its tremendous economic growth would continue into the future.\textsuperscript{77} To outsiders, the country appeared untouched by social divisions which had recently torn apart Western societies. Its politics were sensible and consensual; opposition parties

\textsuperscript{74} For analysis of the 1987 stock market crash, see “Prichiny i posledstviia paniki na fondovikh rynkakh,” ARAN F2021, O2, D48, L 447-52.
\textsuperscript{75} For a Soviet account of America’s steel industry, see A. F. Myrtsymov, “Konkurentsiiia i modernizatsiiia chernoi metallurgii,” \textit{SSHA: ekonomika, politika, ideologiia} 196 (1986):89-100.
\textsuperscript{76} A. B. Parkanskii, \textit{Amerikano-ijaponskie protivorechiia v 80-e gody} (Moscow: Nauka, 1987)
operated freely, but the ruling party governed so effectively that it won nearly every election. And Japan’s economy had produced miraculous results, growing faster and for longer than any other example in history. Unemployment was very low. The country’s manufacturers were competitive worldwide and had managed to move up the value chain from copying Western goods to innovating on their own. The Sony Walkman, which transformed the way people listened to music when it debuted in 1979, exemplified what many believed to be Japan’s coming dominance of high technology. The country’s manufacturing success funded a series of foreign forays in other industries too, and Japanese purchases of high-profile American real estate began to grab headlines.

By the early 1980s, experts and policymakers in the Soviet Union had come to a similar conclusion about Japan’s coming economic dominance. They predicted a coming clash between American and Japanese capitalism, and thought the Japanese would come out on top.78 Discovering ‘contradictions’ between capitalist powers was, of course, required by the USSR’s official ideology. Marx had shown the inherent contradictions in capitalism, while Lenin proved that such contradictions were especially likely in relations between capitalist great powers. But even liberal-minded Soviet analysts who had long since discarded most of Marx and Lenin genuinely believed in a sharpening clash between America and Japan. They were not alone: influential American analysts made similar forecasts—and indeed, Soviet research often cited top American scholars on Japan like Ezra Vogel or Henry Rosovsky.79 “Japan represents in the 1980s the largest threat to the United States in economics, science, and technology,” argued a

78 See Parkanskii, which includes chapters on contradictions in trade and technology. See also V. Khlynov, “Obostrenie iaponon-amerikanskikh protivorechii,” MEMO 1 (1981):98-104.
1986 report from a reformist research institute in Moscow. “Traditional branches of American industry, and also the production of the majority of durable consumer goods, are tested with serious difficulty by the marked level of competitiveness of Japanese products.”80 Business clashes, the report noted, quickly became political disputes, since economics represented the most important sphere of the countries’ relations.81 As America receded, Japan was moving to fill the gap with its economic and manufacturing might.

This conclusion marked a sharp change in Soviet analysis. Russia and Japan had been geopolitical rivals for a century; they went to war in 1904 and again, briefly, in 1945. By the end of World War II, one Russian historian has written, “in the consciousness of Soviet people, the word ‘Japanese’ had become invariably associated with words like “samurai’, ‘militarist,’ and ‘spy.”’82 Throughout the 1950s, 60s, and 70s, Soviet analysts worried about the country’s remilitarization, and played down talk of Japan’s economic miracle, a phrase that Soviet authors were discouraged from using even in quotation marks.83 But by the early 1980s, Japan’s sustained success had left an impression on Soviet observers. To be sure, a minority of scholars still argued that Japan’s growth was based on “structural disproportions” and that its powerful state-backed corporate champions were corrupting its politics and leading it toward crisis.84 But the data increasingly suggested otherwise.

For one thing, Soviet analysts were deeply impressed at the way Japan recovered from the oil shocks of the 1970s. As a country that imported most of its energy, Japan suffered tremendously when the price of oil quadrupled after the 1973 OPEC embargo. Yet Soviet

81 Ibid., p. 2
84 E.g., V. Zaitsev, “Strukturnie disproportsi iaponskoi ekonomiki I gosudarstvennoe regulirovanie,” MEMO 11 (1981):60-71
observers noted that despite the slowdown this entailed, Japan adapted quickly. According to data published in a *MEMO*, a Soviet journal, overall energy consumption fell by 8.2% between 1975 and 1978, the sharpest fall in any of the capitalist powers.85 (In the US, according to Soviet data, energy consumption *rose* by 7.7% in the same period.)86 Industrial energy consumption—a sphere in which the Soviet Union was particularly backward, since Soviet enterprises didn’t face price pressure to conserve energy—was a strong point of Japan’s post-1973 energy policy. Industry reduced its total share of Japan’s energy consumption from 47.6% in 1973 to 42.3% by 1978.87 Yet this was evidence of genuine efficiency gains, not simply supply cuts, Soviet analysts concluded, because even though oil consumption fell by 10% in the five years after the 1973 oil shock, Japan’s GDP nonetheless increased by almost 20% in the same period.88 The oil crises threatened the country’s economic model, but its economy adjusted quickly and kept growing, even as the rest of the West slipped into stagflation.

Japan’s nimble response to the oil shocks was not the only factor that impressed Soviet analysts. Though in the 50s and 60s the country had focused on exporting textiles and low value-added manufacturing, by the 1980s its technology was among the best in the world, far more advanced than the Soviet Union’s. Soviet research suggested that Japan’s level of technology in 1980 was actually higher than France and Britain’s though still below West Germany’s and America’s.89 That was a tremendous accomplishment nonetheless, and showed that the country had adopted new technology at a far faster rate that the USSR. Whereas most Asian countries were concerned about providing employment for rapidly growing populations, Soviet scholars noted that Japan was preparing to deal with the employment effects of the increasingly

86 Ibid., p. 128
87 Ibid., p. 129
88 Ibid, p. 127. The GDP increase cited appears to be in nominal terms, from 90m yen in 1973 to 107m in 1978.
widespread use of robots and other automated production techniques in manufacturing.\textsuperscript{90} And Japan’s technological prowess was not simply purchased from abroad; Soviet data suggested that the country spent between .08 and .21\% of GNP per year on technology imports between 1965-1976, but roughly 1.25\% of GNP on domestic R&D.\textsuperscript{91} As a result of its technological prowess, the country’s economy had expanded rapidly, averaging 10\% per year between 1955-1970, according to Soviet data, and 7.25\% during the troubled 1970s.\textsuperscript{92} Soviet scholars projected Japan’s growth to continue, too, at around 5\% during the first half of the 80s, a slowdown from previous years, but still far faster than growth in the West or in the Soviet Union.\textsuperscript{93} That was why Japanese firms were expanding in developed markets, argued Soviet analysts, edging out previously dominant western companies.\textsuperscript{94} 

Japan’s success drew attention to the benefits of the ‘East Asian’ development model overall, and the Soviet Union took note. “The ‘Japanese Miracle’ created an especially strong impression,” one Russian historian has written, “because, for among other reasons, it was in no way expected that such a powerful spurt on the path of progress would be seen from an Asian country.”\textsuperscript{95} Yet as Soviet scholars began to look at Asia more closely, they soon noticed that Japan was not the only country in the midst of an economic miracle. South Korea, Taiwan, Hong Kong, and Singapore had also posted strong economic results in the 1970s, as the rest of the world stagnated. In the West, these countries came to be known as the ‘Asian Tigers,’ and grew famous for their seemingly boundless growth potential and their ability to turn poverty into wealth without any natural resources—just sensible policies and hard work.\textsuperscript{96} Soviet scholars did

\textsuperscript{90} N. Maslov, “Napravleniia I problem avtomatizatsii v iaponii,” \textit{MEMO} 8 (1983):112-20
\textsuperscript{91} Basakova, p. 73
\textsuperscript{92} Ibid., p. 75
\textsuperscript{93} V. Khlynov, “Iaponskie plany I prognozy razvitiia na 80-e gody,” \textit{MEMO} 4 (1981):128
\textsuperscript{95} Verbitskii, p. 38-9
\textsuperscript{96} For a consensus view in the West of the Asian Tigers’ growth, see Vogel, \textit{Four Little Dragons}
not embrace the phrase ‘Asian tigers’ until glasnost, nor was it possible to celebrate their success too openly, since these tigers were all staunchly capitalist and all geopolitical opponents of the Soviet Union. Just three decades earlier, the USSR had been in a de facto war with South Korea, and it supported Communist China in its arms race with Taiwan. Though Moscow’s relations with Mao deteriorated sharply during the 1950s and 60s, that had done little to improve Moscow’s estimation of the ‘splittists’ in Taiwan. Singapore was an aggressive opponent of communist movements in South East Asia, especially those tied to Vietnam, a Soviet ally. And Hong Kong was still a symbol of imperialism, representing the last outpost of the British Empire in Asia. It is hard to imagine a group of countries more ideologically problematic for Soviet analysts to learn from.

But, like in Japan, the reality of the Asian Tigers’ economic growth was impossible to ignore. It crept up repeatedly in Soviet scholarly publications throughout the 1980s, though scholars treating the four countries has a group had to find a way justify the grouping by pointing to shared ‘objective’ factors, since the concept of Asian Tigers was ideologically problematic. For example, one article which ostensibly examined West German investment in South-East Asia, reviewed German business interests in only four countries—Taiwan, South Korea, Hong Kong, and Singapore—arguing that the four countries needed to be viewed as a group, since they were the first to see “large sums” of German capital.” 97 They were also countries that sent large flows of cheap consumer goods to the West.

The tigers took advantage of the Japanese model, Soviet analysts argued. They started by exporting textiles, taking advantage of wages that were lower—12 times lower, according to

Soviet data—than in the West.\textsuperscript{98} Singapore’s sewing industry exported 63\% of its produce in the early 70s, as well as 54\% of shoes.\textsuperscript{99} Then, they slowly began to produce simple manufactured goods, and steadily moved up the value chain, gaining access to new technology in the process.\textsuperscript{100} By 1980, the four tigers had quickly advanced along Japan’s path toward industrialization. As Soviet analysts noted, the countries boasted “developed infrastructure” and “qualified labor forces,” especially in Singapore and Hong Kong, which make it possible “to organize fairly complex production without the need for high spending on training personnel.” At the same time, economic growth meant that the tigers were no longer simply exporters, they were becoming consumers, too, as growth “causes an increase in internal demand both for the production of mass goods for all the population, and for expensive durable goods for the newly-wealthy local bourgeoisie.”\textsuperscript{101}

Like Japan, the Asian Tigers were simply one part of a broader shift in the world economy. For centuries, most of the world’s economic growth had taken place along the shores of the Atlantic. That had changed. Soviet politician Evgeny Primakov noted that now, “the Pacific region has become the center of world development. Today it is demonstrating the most rapid rates of economic growth and scientific-technical progress.” It was not only Japan or America’s West Coast, Primakov argued; “the so-called ‘economic tigers’—South Korea, Taiwan, Singapore, and Hong Kong [as well as] Malaysia and Indonesia are developing rapidly.”\textsuperscript{102} Economist Ivan Tselishchev argued that the world economy’s shift toward Asia was driven by objective economic factors: “We are now witnesses to the beginnings of a radical restructuring of the world capitalist economy on the basis of electronics, informatics, advanced

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\textsuperscript{98} Ibid.
\textsuperscript{99} Ibid., p. 110
\textsuperscript{100} Ibid., p. 112
\textsuperscript{101} Ibid., p. 109
means of communication, and new materials… The Asian-Pacific region will set the tone.”

While Eastern Europe was mired in debt, and the West was battling inflation and unemployment, East Asia’s rise during the 1980s seemed unstoppable. “The twenty-first century,” wrote another Soviet academic, “promises to become the century of the Pacific.”

5. Gorbachev’s Asian Pivot

Academic institutes were among the first organizations in the Soviet Union to fully realize how radically East Asia was changing, and to argue that this held lessons for the USSR. But as Soviet analysts published repeatedly on the subject, the message spread quickly. The Institute for the World Economy and International Relations, one of the most influential Soviet think tanks, founded a new ‘Pacific Ocean Division’ in 1985, to more closely study the region. The Soviet Foreign Ministry followed with its own institutional changes, creating a section that covered the countries of the Pacific Ocean and South East Asia, which combined Japan with the fast-growing countries of South East Asia. One the most important proponents of focusing on Asia, however, sat at the top of the Soviet hierarchy: Mikhail Gorbachev. Before becoming General Secretary, Gorbachev had little experience with Asia, but when he came to power he immediately embraced it as a centerpiece of his political agenda. He repeatedly referred to the Soviet Union as “one of the greatest Asian powers,” arguing, on a different occasion, that the significance of Moscow’s “Asian and Pacific Ocean orientation is increasing.”

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106 As forthcoming work by Sergey Radchenko will make clear.
Realizing that many others—both within the Soviet Union and abroad—did not see the USSR as a real Asian player, Gorbachev deliberately asserted Moscow’s role in East Asia. In 1986, during the early days of perestroika, he decided to make a speech in Vladivostok—a city that Russia had seized from the Chinese mid 19th century—to reiterate the Soviet Union’s position in Asia, and to set forth policies that would further connect the USSR with fast-growing Asian economies.108 His rationale was simple: East Asia was becoming increasingly important in world politics and economics. He explained to the Politburo in April, 1986 that “the development of civilization is moving in that direction. We are also moving, in Siberia, in the Soviet Far East. So there is an objective interest in questions about Asia-Pacific Cooperation…the Asian-Pacific region is one of our most important orientations.”109

When Gorbachev sat down with his speechwriters in July 1986 to prepare the Vladivostok speech, he repeatedly emphasized its importance, not only for Soviet foreign policy, but for perestroika, too. “The speech in Vladivostok should be large-scale,” he told his advisers. It is “for the country, and for the world, and not only about regional problems. I will not speak about local matters. The Far East needs to be placed in perspective,” Gorbachev emphasized, “to show that movement has already begun.”110 Gorbachev wanted the speech to assert the Soviet Union’s role in Asia, both at home and abroad. To other countries, Gorbachev asked his advisers to emphasize that “the Soviet Union is a European and at the same time an Asian country, so it is closer to Asian problems.” Gorbachev also sought to underline importance of Asia in the future of the Soviet Union. He explained to his speechwriters that Asia “is an enormous continent, where dozens of new governments have entered the arena. They are searching for their path.

108 Many thanks to Dong Yan for pointing this out.
110 “Na soveshchani u Gorbacheva v svyazi s poesdki na Dalnii Vostok,” July 16, 1986, Otvechaya na vyzov veka, p. 799
How those processes turn out, especially in the big countries…will define the fate of the world.”

In sum, Gorbachev said, he wanted his speech to focus not on “future negotiations” but on the future direction of Soviet policy toward Asia. “Everything is in movement on this continent,” he concluded. “Civilization is moving toward the Pacific Ocean.”

Gorbachev’s speechwriters did not disappoint. Even though he proposed no concrete measures, the speech he gave in Vladivostok on July 28, 1986 was one of the USSR’s biggest foreign policy events of the year. Gorbachev began the speech by emphasizing economic development in Siberia and the Soviet Far East. The region, he noted, had “been traditionally referred to as the country’s outpost on the Pacific,” but he called for making it a more central, “highly-developed” part of the country’s economy. In the past two decades industrial output in the Soviet Far East had trebled, but it needed to grow further. One important strategy for growing the Soviet Far East, and the Soviet Union in general, Gorbachev argued, was exports—the economic motor that had driven development in other East Asian countries.

But increased trade was only possible if the Soviet Union played an active role in the Asia Pacific region. Gorbachev argued that Soviet citizens needed to take Asia more seriously. The reasons were geography and economics. “Many major states of the world,” Gorbachev argued, “including the United States, India, China, Japan, Vietnam, Mexico and Indonesia,” border the Pacific Ocean. “Here are situated states which are considered to be medium-sized ones, but are rather big by European standards—Canada, the Philippines, Australia, and New

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111 Ibid.
113 Ibid., p. 9
114 Ibid., p. 15
Zealand.” Scale alone meant that the Soviet Union needed to focus on Asia, Gorbachev insisted: “this colossal human and socio-political massif calls for close attention, study and respect.”\textsuperscript{115}

On top of that, Gorbachev argued, Asia was experiencing a new bout of dynamism, perhaps even replacing the Atlantic as a center of economic and political activity. Asia “woke up to a new life in the 20\textsuperscript{th} century,” Gorbachev argued, and now was catching up to Europe.\textsuperscript{116} He cited a “whirlwind of changes—social, scientific, and technological…a renaissance of world history.”\textsuperscript{117} The USSR needed closer economic ties as a result. “The laws of growing interdependence,” explained Gorbachev, “and the need for economic integration urge one to look for ways leading to agreement and to the establishment of open ties between states.”\textsuperscript{118} The Soviet Union needed to settle its political disputes with China, Japan, and other Asian states, in order to trade with them.

Above all, that meant China, with which the Soviet Union nearly went to war in the late 1960s, and which had been an ideological competitor since Stalin’s death and a geopolitical opponent since the 19\textsuperscript{th} century. Gorbachev knew that improving ties with China was key to tapping into the Asia Pacific region economically, and he put China at the center of his Vladivostok speech. “Speaking in a city which is but a step from the People’s Republic of China,” he said, it was important to discuss how the two countries’ relationship could be improved.\textsuperscript{119} He reaffirmed that he was ready for talks with the Chinese leadership to resolve some of their many disagreements. And he explained that “the Soviet Union and China have similar priorities—to accelerate social and economic development.”\textsuperscript{120}

\begin{itemize}
\item \textsuperscript{115} Ibid., p. 23
\item \textsuperscript{116} Ibid.
\item \textsuperscript{117} Ibid., p. 24
\item \textsuperscript{118} Ibid., p. 26
\item \textsuperscript{119} Ibid., p. 29
\item \textsuperscript{120} Ibid., p. 30
\end{itemize}
Gorbachev’s Vladivostok speech marked a sea-change in Soviet thinking about international politics and the global economy. Most Western analysts did not fully comprehend its importance for Soviet foreign policy. In the midst of sharp disputes about mid-range nuclear missiles or civil wars in Angola and Mozambique, it was easy to miss the broader shift in the Soviet Union’s orientation. The political process of improving relations with the countries of East Asia would take decades; in many spheres, it is still underway. But the Vladivostok speech was even more important because of what it said about the intellectual landscape within the Soviet Union. By the time of Gorbachev’s Vladivostok speech in 1986, Soviet policymakers and intellectuals had begun to see the world differently. The stagnation and crises of the 1970s and early 1980s in Eastern Europe and in the West convinced them that they needed to look elsewhere for models of reform, and the fast growing economies on their Eastern border were the obvious place to turn. A journalist from the newspaper Literaturnaya Gazeta asked leading economist and Gorbachev adviser Stanislav Shatalin which of the world’s economic models the Soviet Union should emulate. Should it copy the West, or learn lessons from its Eastern European allies? The question of Russia’s international orientation had vexed the country since the time of Peter the Great, but Shatalin argued that it was time for something new. “We need to be more attentive to the experiences of Japan, South Korea, and China,” he argued. “It is time to unite the Slavophiles and Westernizers, and turn our face to the east.”

121 Literaturnaya Gazeta, Nov. 10, 1989, qtd in Verbitskii, p. 41