

## [H-Diplo Article Review 899 on “Between Business Interests and Ideological Marketing: The USSR and the Cold War in Fiat Corporate Strategy, 1957-1972.”](#)

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Review by **Angela Romano**, European University Institute

Valentina Fava’s article offers a coherent and thorough analysis and critical assessment of the strategy of the Italian company Fiat towards the post-Stalinist Soviet Union during the years 1957-1972. Fava uses the key example of the agreement signed between Fiat and the Soviet government in 1966 to build the Volga Automobile Factory (VAZ)—which Under-Secretary of State for Political Affairs W. Averell Harriman labelled “the deal of the century”<sup>[1]</sup> - to look into the complex relationship between big business and politics and ideology in the Cold War epoch. The author carefully strikes a balance between assessing how the Cold War influenced the strategy of Fiat management and showing the latter to have been a pro-active economic and political player. Fava is clear that since its inception the VAZ deal was part of a broader Western trend of promoting economic relations with the Soviet Union, and that it was the result of the company’s “participation in a joint plan with other Italian companies to strengthen trade relations between the USSR and Italy. This plan had its roots in visions of both the role of big business in the modernization of Italy and the political role of entrepreneurs” (29). Her analysis demonstrates that Fiat President Vittorio Valletta’s company challenged trade restrictions, shaped public narratives, and considered its deals with the Soviets as part of the fight to end Communism. In a nutshell, the article illustrates how Fiat’s commercial interests and business strategy were not only embedded in a complex ideological web, but were also actively weaving some of its threads.

Fava’s article is grounded on a firm command of the historiography on Fiat, Italian, and Western business, as well as of U.S.-Italian relations, and on good knowledge of the relevant Cold War literature. Her detailed analysis relies on a variety of primary sources, which include recently available documents from the Fiat archives (the minutes of the board of directors, reports of technical

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experts, and the ten-year-long correspondence of the Fiat agent in the Soviet Union, Piero Savoretti, with the company's top management) as well as some relevant U.S. diplomatic sources. It is worth highlighting that Fava is particularly cautious when using Savoretti's letters. While she acknowledges that they provide a useful source "for learning about Fiat's channels and its approach to managing its interests in the USSR and its relations within Soviet and Italian government circles," she recognizes that they are a "somewhat biased and not entirely reliable source" (47).

The introduction presents the aims of the article and its place in the historiographical landscape. While Fava does not engage in a critical review of the literature she references, it is clear that she finds interpretations of the VAZ deal as a turning point in East-West economic relations or as having a role in paving the way to the collapse of the USSR to be unconvincing.<sup>[2]</sup> Although recognizing the symbolical significance that politicians and academics attributed to the contract, she describes it as "only one of many agreements signed" in that period (27). She agrees with Oscar Sanchez-Sibony that the period was characterized by both a sharp increase of the willingness of Western capitalists to penetrate the Soviet market and a Soviet more technocratic bureaucracy intent on promoting greater consumer abundance.<sup>[3]</sup> Her analysis unfolds in eight orderly sections, which intertwine Cold War and business history perspectives. The first five sections will be more appealing to Cold War historians, the remaining three to business scholars. That noted, I strongly recommend reading the article in its integrity.

After a brief though detailed presentation of Fiat's production choices and structure, the first section—*The CMEA Countries in Fiat's "Politics of the Automobile"*—immediately embeds the company's strategy in the changing international business environment, where competition was on the rise among Western car manufacturers. Fiat's response was to penetrate the emerging markets of 'undermotorised' countries ahead of its competitors in order to balance off competition in developed markets. The socialist countries were a perfect case of such undermotorised markets. The first rationale for Fiat's deal with the East, therefore, was eminently commercial. Yet this does not mean that Fiat's strategy was insulated from Cold War dynamics or immune to ideological considerations.

As explained in the second section—*Socialist Concordia Discors and Fiat Divide et Impera*—if deals with socialist countries such as Romania, Poland, and Yugoslavia (though the inclusion of the latter in the group of countries of the Council for Mutual Economic Assistance (CMEA) is odd to say the least) were guided mostly by commercial interests, interactions with the Soviet Union were rather considered to be of a political nature. Evidence of this is the fact that the President of Fiat led all talks with Moscow, and that negotiations were later supervised by Fiat's Department of Special Affairs rather than the Department of International Affairs, which followed the deals with the other socialist countries.

The meetings of Fiat's Board of Directors, which Fava explores in the third section—*Doing Business with the Enemy as Reflected in Fiat's Strategic Narrative*—reveal the extent of Fiat management's political and ideological considerations. They certainly worried about existing competition from U.S. companies in Western European markets and the possible penetration of them in the Soviet Union ahead of the Europeans. They were also preoccupied with intra-European competition, yet in this case commercial interests were coupled with political concerns; they considered this competition harmful for the unity of the Western camp vis-à-vis the Communist bloc and possibly detrimental to the internal politics of the European Economic Community. In addition, the Board had an eminently

political vision of its dealing with the East, supported by a detailed analysis of Cold War politics, Soviet leader Nikita Khrushchev's declarations, and his attempts at recovering relations with the CMEA allies from the damages of Stalinism. A clear narrative emerges in the Board meetings that depicts Fiat as being intent on a parallel diplomacy that would be able to open relations where politics could not venture yet in full. Moreover, this narrative was presented to shareholders and employees; the company would demonstrate the superiority of the Western production and technology while at the same time operate for the promotion of East-West cooperation and ease U.S. administration's move towards a cooperative stance with the Soviets.

Indeed, Fiat's strategy toward the East was set on the ground of strong ties with the U.S. administration. The fourth section—*"Is a Fat Russian a Harmless Russian?" Fiat between Washington and Moscow*—offers a critical analysis of the many meetings that Fiat representatives had with top-rank U.S. authorities before, during, and after the negotiations with the Soviets. Moreover, relying on U.S. archival sources, Fava demonstrates the impact of Fiat's VAZ deal on U.S. politics. While the U.S. administration favoured the deal, the Senate blocked an Export-Import Bank credit line for Italy that had previously approved by President Lyndon Johnson, on the grounds that it would indirectly fund Soviet purchase of U.S. machinery. The debate that ensued throughout the year 1967, which Fava discusses (41-44), shows that many in the U.S. administration considered Cold War trade restrictions to be more harmful than useful. First, they damaged the interests of U.S. firms, which lost out to foreign competitors. Second, they hurt relationships with close allies, such as Italy, without having any impact on Soviet decisions. Last but not least, several officials suggested that encouraging a consumer market in the Soviet Union would serve the United States' fight against Communism. The matter of trade with the Communist countries had been debated for more than a decade between transatlantic allies. The view of West European governments was that it was a good thing and should be promoted because—as UK Prime Minister Sir Alec Douglas-Home put it—a "fat Communist is a less aggressive Communist." On the contrary, the widespread view of U.S. administrations and Congress was that East-West trade and economic cooperation would only strengthen the evil Communist regimes.<sup>[4]</sup> In the debate about whether a 'fat Communist' was positive or negative for the West, the "reassuring image of a people's car domesticating Soviet society" (47) was a powerful asset for those who advocated the loosening of trade restrictions.

The idea of sowing the seeds of Western thinking through trade was present also in the approach of those who effected the deal. In section five—*Fiat diplomacy in the Soviet Union: Piero Savoretti and Novasider*—Fava zooms into the ideas and actions of Savoretti, the Fiat agent in the Soviet Union for almost twenty years. Fava's knowledgeable portrait of Savoretti helps the reader not only to understand this key character's role, but also to grasp the complexities and interconnections of the Italian industrial scene at that time. Through his joint-stock company Novasider, a representative agency that was particularly active in the machine tools sector, Savoretti represented leading Italian companies in the Soviet Union and eased the sale of more than 56 plants ranging from chemical to textile to constructions sectors. Moreover, he revealed to Italian business, economic, and cultural elites the existence of a reformist wing within the Soviet Communist Party, which, he argued, capitalist companies' relations with the Soviet Union could strengthen and help come to power. A strong ideological driver, therefore, went hand in hand with commercial rationales. Fava uses Savoretti's actions to elucidate the frustrating relationship between big businesses which were operating in the Soviet Union and the Italian government, whose support did not match other West

European countries' engagement in easing trade with the Communist superpower.

The article's last three sections are devoted to the unfolding of Fiat's VAZ deal. Section six illustrates how the deal represented "the pinnacle of a broad-based pyramid of economic and technological relations" between Italy and the Soviet Union in the post-Stalinist era (53), at the base of which stood Fiat President Valletta's intuition that success depended on the ability of major Italian companies to team up and offer the Soviets a series of interdependent deals. This strategy put well-known Italian companies "at the forefront of East-West trade in the early 1960s" (63). Their success was very much due to the generation of entrepreneurs who led them, who had all lived through the Italian post-war reconstruction, held close ties, shared values, and cultivated aspirations to become political players both at the national and international levels. As Fava points out, in the 1970s this generation would be gone and so would the alliance of Italian business enterprises. In the seventh section, Fava offers a severe assessment of Fiat's (and Italy's) performance in the following decade, when "the competitive advantage in the Soviet market was lost as new Japanese, German, and U.S. competitors became active in the machine sector. With the Italian economy plagued by the most serious crisis in its history, Fiat management apparently lost the interest and capacity to deal with Cold War politics" (60). Yet the author is careful in distributing the blame; in the eighth and last section, she presents a detailed overview of the many disputes that undermined the collaboration with the Soviet Union, turned the Volga plant into "an arduous and costly enterprise" (64), and eventually alienated Fiat management. This brings an important qualification to our understanding of the 'deal of the century,' and we can agree with the author's concluding remarks that "the machinery of propaganda and marketing [operated] to create and cultivate a triumphalist view of the challenging Italian-Soviet partnership" (64).

This is the first of several merits of Fava's article. The second, which also goes towards qualifying the symbolic significance attributed to Fiat's VAZ deal, is that it is clearly presented as part of a broader Fiat strategy towards the Soviet Union, and embedded in the wider action of a pool of major Italian companies that were responding to Western countries' growing competition to promote trade with the Socialist bloc. In other words, Fava puts the VAZ deal into perspective by paying attention to the business and political environment in which it was prepared, and to the major economic trends characterizing the decade.

Yet, and this is a third major merit, the article does not look at Fiat as merely coping with a given environment, as it is frequently the case in business history studies.<sup>[5]</sup> For sure, Fava's work shows how the Cold War environment affected company's strategic decisions, for example, coping with restrictive regulations, or marketing the deal adequately to a diverse set of interlocutors who were either capable of preventing it or instrumental to allow it. Yet the article is commendable for also bringing to the fore both Fiat's pro-active role in shaping the environment in which it did business and the company management's aspirations to conduct a parallel diplomacy via trade. The entrepreneurs under scrutiny here are not mere samples of *homo oeconomicus* driven by the search for profit, but also politicised players who willingly participated in the fight against Communism and/or aimed at build bridges across the Cold War divide.<sup>[6]</sup>

A fourth merit of the article is precisely that it explores and discusses the ideological features of the deal as conceived at that time by the Fiat management and their political interlocutors in Italy and, crucially, in the United States. The article thus offers a substantial contribution to Cold War studies

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that assess how far Cold War mentality and concerns informed the attitudes and behaviour of non-governmental actors in their own activities. Fava points out that “most of the actors seemed to make sense of the Fiat business deal by using political arguments and language borrowed from the contemporary political debate” (28). Likewise, this article contributes to revealing the role that these businessmen had in creating narratives and propagating them to the wider public. The narrative that Fiat management construed around the deals with the Soviets was carefully communicated to employees and shareholders, and then picked up by the press. Some years before French President Pompidou talked about spreading the “virus of liberty” in the East via the Helsinki Final Act,<sup>[7]</sup> the collaboration between Fiat and the Soviet Union was presented as an injection of the consumer virus into the enemy system (38), and “not so much as an opportunity to make profits for the company as a peace-building opportunity” (28).

Finally, I agree with Fava’s view that Fiat’s VAZ deal “is another page in the story of the complex relations between the Soviet Union, the United States, and the U.S. model of mass production” (30). She presents several arguments in order to support her argument. First, Fiat cars were probably the most internationally recognizable symbols of Italy’s spectacular post-war economic growth that had received a major boost by the U.S.-sponsored European Recovery Program (or Marshall Plan). Second, Fiat’s home plant in Turin’s Mirafiori district not only made use of U.S. machinery, but was also a flagship of Fordism. Third, Valletta, at the helm of Fiat from 1946 to 1966, had strong ties with Washington, and the preparation of the VAZ deal was indeed discussed with and approved by the U.S. administration, where many top figures did consider it a trailblazer for more cooperative U.S.-Soviet relations.

Overall, Fava’s article, while detailed and thorough on the Fiat’s VAZ deal with the Soviets, is much more than an analysis of a success story in Italy-USSR relations. It offers insights into Italian-U.S. relations, and widens our knowledge and understanding of East-West relations in their multiple layers. It presents an impressive exploration of the strategic decision-making of big business as well as its relations with national and international politics. And it constitutes a commendable example of how to investigate and reveal business actors’ roles in both influencing major political debates and creating narratives for the wider public.

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## Notes

[1] Vittorio Castronovo, *Fiat: 1899-1999: Un secolo di storia italiana* (Milan: Rizzoli, 1999), 1 and 120.

[2] Fava points to Lewis Siegelbaum, "The Faustian Bargain of the Soviet Automobile," *Trondheim Studies on Eastern European Cultures and Societies* 24 (2008): 111-120; Nordica Nettleton, "Driving toward Communist Consumerism," *Cahiers du Monde Russe* 47:1-2 (2006): 131-152; and Gyorgyi Péteri, ed., *Imagining the West in Eastern Europe and the Soviet Union* (Pittsburgh: University of Pittsburgh Press, 2010).

[3] Oscar Sanchez-Sibony, *Red Globalization: The Political Economy of the Soviet Cold War from Stalin to Khrushchev* (Cambridge: Cambridge University Press, 2014): 88.

[4] See, for instance, *The New York Times*, 1 March 1964, Section E, 3, <https://www.nytimes.com/1964/03/01/archives/dispute-grows-over-western-trade-with-the-communist-bloc-us.html>, last accessed 18 August 2019.

[5] In recent business history debates several colleagues have called for enlarging the scope of business historiography beyond the study of individual firms' stories. Several historians have vigorously criticised the tendency of some colleagues to produce more theory than historiographical research in the hope to fit in with business and management studies, also overlooking primary sources. This over-reliance on theories has determined that business is being studied off context of its specific historical moment, processes, institutions, and rules. See Franco Amatori, "Business History as History," *Business History* 51:2 (2009): 143-156; Christopher Kobrak and Andrea Schneider, "Varieties of Business History: Subject and Methods for the Twenty-first Century," *Business History* 53:3 (2011): 401-424; Stephanie Decker, Matthias Kipping, and R. Daniel Wadhvani, "New Business Histories! Plurality in Business History Research Methods," *Business History* 57:1 (2015), DOI: <https://doi.org/10.1080/00076791.2014.977870>; and Andrew Popp and Susanna Fellman, "Writing Business History: Creating Narratives," *Business History* 59:8 (2017): 1242-1260.

[6] There are several important studies focusing on the parallel diplomacy of entrepreneurs and their belief in conducting a political mission. See for instance: Karsten Rudolph, *Wirtschaftsdiplomatie im Kalten Krieg: Die Ostpolitik der westdeutschen Großindustrie 1945-1991* (Frankfurt; New York: Campus Verlag, 2004); and the special issue edited by A. Romano and V. Zanier, "Circumventing the Cold War: The Parallel Diplomacy of Economic and Cultural Exchanges between Western Europe and Communist China, 1949-1964", *Modern Asian Studies* 51:1 (2017): 1-226, which feature articles dealing with entrepreneurs as well as cultural actors.

[7] Pompidou used this expression when explaining the French CSCE goals to UK Prime Minister Edward Heath in a bilateral meeting at Chequers Court on 19 mars 1972, referenced, for instance, in Nicolas Badalassi, "'Neither Too Much nor Too Little': France, the USSR and the Helsinki CSCE," *Cold War History* 18:1 (2018): 1-17, here: 10.

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