Risks and Opportunities: How East German Economists Reflected on Decolonization in the 1950s and 1960s

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ABSTRACTS

This paper reconstructs, how the political and economic elites of the GDR reacted to the possibilities that opened up with decolonization in the Global South and tried to integrate the newly independent countries in the "Socialist World Economic System". A particular focus lies on the role of economic sciences in devising integration attempts. As the state-socialist countries experimented with economic reforms post-1953, economic sciences gained in importance and established direct links of communication with economic policymakers. This applied to plans on reforming the internal economic mechanisms as well as to plans on strengthening the foreign trade sector and East-South ties. In my paper, I reflect on attempts to making sense of decolonization in the 1950s and 1960s. I argue that economists – together with economic practitioners – were actively engaged in devising tools for the East German leadership to create political and at the same time economic win-win-situations in mutual trade with decolonized countries.

Der Beitrag rekonstruiert, wie die politischen und wirtschaftlichen Eliten der DDR auf die Möglichkeiten, die sich mit der Entkolonialisierung im Globalen Süden eröffneten, reagierten und versuchten, die neu entstandenen Staaten in das „Sozialistische Weltwirtschaftssystem" zu integrieren. Ein besonderes Augenmerk liegt dabei auf der Rolle der Wirtschaftswissenschaften bei der Ausarbeitung der Integrationsversuche. Als die staatssozialistischen Länder nach 1953 mit Wirtschaftsreformen experimentierten, gewannen die Wirtschaftswissenschaften zunehmend an Bedeutung und stellten direkte Kommunikationskanäle zu den wirtschaftspolitischen Entscheidungsträgern her. Dies galt sowohl für Pläne zur Reform der internen Wirtschaftsmechanismen als auch für Pläne zur Stärkung des Außenhandelssektors und der Ost-Süd-Beziehun-

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gen. Der Beitrag befasst sich mit den Versuchen, aus der Entkolonialisierung in den 1950er und 1960er Jahren primär ökonomischen Nutzen zu ziehen. Es wird argumentiert, dass Ökonomen – zusammen mit Wirtschaftspraktikern – aktiv an der Entwicklung von Instrumenten für die ostdeutsche Führung arbeiteten, um politische und gleichzeitig wirtschaftliche Win-Win-Situationen im gegenseitigen Handel mit entkolonialisierten Ländern zu schaffen.

1. Introduction

The state-socialist regimes of Eastern Europe have a reputation for having been inward-looking and largely staying on the side-lines while the "second globalization" unfolded after the Second World War. When the Red Army conquered Eastern Europe and established its proxy regimes, the Soviet Union exported its economic model to the region. This meant the introduction of the command economy with the aim of planning and controlling every step in the economic process.[1] A wave of forced industrialization with a focus on heavy industry followed in which foreign trade was monopolized.[2] The whole process was accompanied by an introspective ideology of economic decision-making that, in practice, was close to autarky. Transforming the economies of Eastern Europe into planned economies was no smooth process and involved each country developing a staff of economic experts that was able to run a planned economy and loyal to the regime.

The state-socialist focus of the late 1940s and early 1950s was not on creating a unified economic area but on building an industrial base in each "satellite" country of the Soviet Union in Eastern Europe. The high investments in industry proved unsustainable, however, and by the time of Stalin's death, investments in heavy industry had to be scaled back and the production of consumer goods increased to avoid popular uprisings. Economic exchange between the state-socialist countries remained rather low, especially by comparison with the transatlantic level of economic integration, and various attempts to reform state-socialism apparently failed to fundamentally alter that picture until the demise of the whole system in 1989–1991.[3] The only thing that changed between the mid-1950s and late 1980s – according to conventional conception – was that the state-socialist countries accumulated large amounts of debts in the West to temporarily paper over their fundamental economic problems and keep the population sufficiently happy not to rebel.[4]

1 A. Steiner, Die DDR als ökonomische Konkurrenz: Das Scheitern des „zweiten deutschen Staates" als Vergleichswirtschaft, in: W. Plumpe and J. Scholtyseck (eds.), Der Staat und die Ordnung der Wirtschaft, Stuttgart 2012, p. 154.

2 Ibid., p. 157.

3 M. Pittaway, Eastern Europe 1939–2000, London 2004, pp. 72–78; N. Ferguson, Introduction: Crisis, What Crisis? The 1970s and the Shock of the Global, in: N. Ferguson et al. (eds.), The Shock of the Global: The 1970s in Perspective, Cambridge, MA 2010, p. 20.

4 See S. Kotkin, The Kiss of Debt: The East Bloc Goes Borrowing, in: Ferguson et al. (eds.), The Shock of the Global, pp. 80–93.

Trade is a good measurement for economic exchange and integration, and it has often been stated that foreign trade remained always the Achilles heel of state socialism.[5] State socialism in Eastern Europe thus appears as anti-globalization, as an extreme form of protectionism that was the exact opposite of the Western model of global integration.[6] The economic system of the socialist bloc during the Cold War period was thus a failure because it could not form meaningful economic ties with other regions of the world, which ultimately contributed to its demise.[7] This way of thinking originated in the Cold War period and lived on after the end of the Cold War.

Seen through Western eyes, the 1970s proved pivotal for globalization and for the expansion of the integration model of the West. According to this view, "deterritorialized finance capitalism" engineered by Western actors and institutions created new global interconnections to a level previously unseen in terms of both quality and quantity.[8] Such a perspective focuses almost entirely on the West, however, and it is misleading to talk of the 1970s as the "shock of the global" and concentrate on a major globalization impulse originating from that shock.[9] Notably, actors from the Global South and the Socialist East are passive bystanders in this narrative of a singular and indivisible "globalization"; this view has been increasingly scrutinized in recent years.[10]

Here, I want to build on the latest research and focus on the 1950s and 1960s as seen from the perspectives of actors in the state-socialist countries of Eastern Europe. I offer concrete counterexamples to the old research narrative that saw state-socialist actors as passive and merely reacting to changes instigated by the West. I focus on reflections and memoranda on foreign trade recorded by state-socialist actors who worked at the intersection of economic research and policymaking. A case study of the German Democratic Republic (GDR) is presented as exemplar for the state-socialist countries in general. East-West trade is relegated to the background in this analysis and East-South exchange foregrounded, which facilitates the argument against entrenched views characterizing actors from the East as passive.

In fact, the geopolitical changes of the 1950s and 1960s provided Eastern actors with both risks and opportunities that they did not merely react to but actively aimed to shape. Decolonization and its response from representatives of the state-socialist regimes led to new global connections that had not existed before and made the socialist East not an anti-globalizer but an active globalizing force, sometimes competing and sometimes acting in unison with Western projects that were similar. Furthermore, actors from the

5 See C. Buchhheim, Die Achillesferse der DDR – Der Außenhandel, in: A. Steiner (ed.), Überholen ohne einzuholen. Die DDR als Fußnote der deutschen Geschichte, Berlin 2006, pp. 91–104.

6 Ibid., p. 91.

7 See W. Plumpe and A. Steiner, Dimensionen wirtschaftlicher Integrationsprozesse in West- und Osteuropa nach dem Zweiten Weltkrieg, in: Jahrbuch für Wirtschaftsgeschichte 49 (2008), pp. 21–38.

8 Cf. J. Mark et al., Introduction, in: J. Mark et al. (eds.), Alternative Globalizations: Eastern Europe and the Postcolonial World, Bloomington 2020, p. 6.

9 See Ferguson, Introduction.

10 J. Mark and Y. Feygin, The Soviet Union, Eastern Europe, and Alternative Visions of a Global Economy, 1950s–1980s, in: Mark et al. (eds.), Alternative Globalizations, p. 35.

East negotiated these globalization projects with their Southern counterparts, who also took an active role – as is clear from the archival source material.

2. The Emerging "Socialist World Economic System"

The East-South trade relations emerging in the 1950s and 1960s must not be analysed in isolation from what was going on inside the Eastern Bloc itself. Economic decision-making followed an ideological reasoning as well as a logic of economic necessity that is often oversimplified as a strategy of a scramble for foreign exchange. This is particularly visible in the 1950s and 1960s. Stalin's death proved, if not the reason, then at least the catalyst for a new economic strategy that went beyond just an increase in the production of consumer goods since the changes that began in the mid-1950s also led to a reconfiguration of the role of trade in the state-socialist economic development model.

Essentially, trade became more than a residual factor or mere necessity – that of importing raw materials that could not be produced at home. Economists in the state-socialist countries after Stalin increasingly thought of trade as a source of growth. This reconception of the role of trade in economic development was originally meant to be confined to the Eastern Bloc; at first, relations with the outer world were not imagined as part of this effort. Nevertheless, the name chosen for the endeavour, "Socialist World Economic System", clearly indicated the potential for global ambition. Although it was initially intended for and confined to the state-socialist countries, it took on a global notion in the sense of non-European with the integration of Mao's China, which was still considered a close ally in the 1950s.

In its early stages, the process of recalibrating trade relations and rethinking the contours of such a world economic system was unrelated to the process of decolonization. This changed rapidly as the 1950s progressed, importantly through the initiative of East European actors. The GDR proves a case in point. East Germany was already an industrialized country when it was founded in 1949 but lacked natural resources. Therefore, it was heavily dependent on trade; it imported raw materials and exported manufactured goods. Such a trade regime was in line with the Stalinist logic of forced industrialization but came under scrutiny with the rise of Khrushchev and acknowledgement that growth had been too slow in the GDR to satisfy the output targets of the party leadership there, particularly in the industrial sector.[11]

Although the growth of the industrial sector in East Germany had generally been impressive in the early 1950s, its total output and productivity per employee remained too low for the economic planners, who had anticipated higher numbers. Memoranda on foreign trade started to draw a direct positive correlation between the size of foreign trade and

11 Probleme der Rentabilität des Außenhandels der DDR, n.d. (probably 1956), Bundesarchiv Berlin (hereafter BArch) DE 1/3843.

national income.[12] This did not imply a complete turnaround in the sense of trade liberalization, but industrial sectors were now only to receive funds when it was economically advantageous to produce at home – in comparison, that is, to importing them from the members of the Socialist World Economic System.[13]

This was not a scramble for foreign exchange in the way socialist foreign trade has often been portrayed. The ultimate goal was to increase factor productivity or, in the words of socialist economics, to switch from a system of "simple reproduction" to one of "enhanced reproduction" in which ever-higher output targets were to be reached with given fixed levels of input. How could foreign trade facilitate this? In the case of the GDR, it was stated in the mid-1950s that the industrialization drive and investments in heavy industry in the early years had been necessary to make up for the losses and disparities caused by the partition of Germany and the escalation of the Cold War; that phase was now declared over, and the new primary goal was to utilize the full production potential of industry and economize production without giving up full employment.

However, such a full utilization of the production potential made sense only where production costs – or "self-costs" in socialist economics – were competitive within the Socialist World Economic System. Therefore, investments were to be steered away from uncompetitive branches to competitive ones.[14] If this process were conducted in every state-socialist country, overall production would increase without the need for higher levels of investment, and if everyone was ultimately to profit from the change, the relative importance of foreign trade had to increase. Behind this shift lay the inside knowledge that the ever-increasing investments in industry of the early years were unsustainable; this was a clear break with Stalinist economics. In theory, higher factor productivity even allowed for greater consumption at the same time as lower investment.[15]

The concept of the Socialist World Economic System was flexible and opportunistic by nature. Its geographical boundaries were not fixed, so it could be expanded and restructured. If the area it covered was subject to change, then production structure and trade flows were similarly subject to constant adjustment and renegotiation. Managing the constant change and trade flows, which would be sensitive to external shocks, demanded a more sophisticated planning process, however, necessitating an increase in the numbers and capacities of foreign trade and economic planning personnel.

In the GDR, it was evident to experts and bureaucrats that the time of the old Stalinist idea of "socialism within one country" was finally over. Lip service was still paid internally to the People's Republic of China and the Union of Soviet Socialist Republics for their vast spaces and reserves of natural resources, which gave them a better starting position for building socialism within one country in theory. It was nevertheless quite apparent

12 Ibid.
13 Ibid.
14 Ibid.
15 Hinweise für die Fachabteilungen der Staatlichen Plankommission zu den von ihnen herauszugebenden planmethodischen Bestimmungen zur Ausarbeitung des Volkswirtschaftsplanes 1959 – Internationale Ökonomische Zusammenarbeit, 21 May 1958, BArch DE 1/21874.

to GDR representatives that a country like East Germany could never by itself form an independent "economic complex". Thus, the goal formulated for East German economic and trade policy was to become part of such an economic complex and to maximize its economic gain from the corresponding integration process.[16]

3. Making Sense of Decolonization

As described, the reconception of trade and economic policy in the state-socialist countries of Eastern Europe in the 1950s occurred without regard to decolonization and could have developed had that process not unfolded as it did. The main causes of the rethinking lay within the realm of state socialism, not outside it. Nevertheless, the ending of the old Western empires obviously resulted in a large number of newly independent states replete with raw materials that were needed in the East as well as old grievances that could be nurtured and opportunities to further the historic socialist cause of the Third International.

Decolonization had started almost immediately after the end of the Second World War; the independence of India in 1947 was an important milestone. Until the humiliating defeat for France and Great Britain in the Suez Canal Crisis in 1956, it was unclear how fast decolonization would unfold and how much of Africa and Asia would be affected by it.[17] Thereafter, independence proceeded worldwide at some pace – and, despite being quite distinct and separate at first, the liberating wave of decolonization and the new Socialist World Economic System idea soon became entangled.

For observers from state-socialist countries, decolonization created a wedge in the West; that is, space formerly controlled by Western imperialist powers and thus still closely linked to Great Britain, France, and others became suddenly undefined in their geopolitical status. In the terminology of GDR experts, in line with their state-socialist peers, these countries were termed "anti-imperialist nation states" and, as such, not judged as hostile. As a result, the sections concerned with trade with the West in the trade directives drafted in the late 1950s granted priority to trade relations with the decolonized countries. They were counted as worthy of efforts to establish trade relations; despite still belonging to the West in various ways, they might be prized away.[18]

As the term "anti-imperialist nation states" suggests, the former colonies only represented a potential; in the mid-1950s, the ultimate aim of building trade relations with them for actors from state-socialist countries remained unclear. "Anti-imperialist" did not necessarily mean "socialist" in an East European sense, even if the political elites in newly independent countries often harboured sympathies for some form of socialism. However,

16 Ibid.

17 See M. P. Bradley, Decolonization, the Global South, and the Cold War 1919–1962, in: M. P. Leffler and O. A. Westad (eds.), The Cambridge History of the Cold War, vol. 1, Cambridge, UK 2010, pp. 464–485.

18 Thesen für die politisch-ideologische Vorbereitung der Ausarbeitung des 3. Fünfjahresplanes (1961–1965) im Außenhandel, 10 November 1958, BArch DE 1/3836.

in the background of the geoeconomic vision of actors from state-socialist countries was a classic Soviet narrative of the revolution of 1917 and its aftermath: the Bolshevik revolutionaries had managed to extract the former Czarist empire from the periphery of the world capitalist system, which had destabilized capitalism and was the prime reason why global capitalism failed to regain the stability and prosperity it had enjoyed before the outbreak of the First World War and the October Revolution. In this narrative, the hard-fought victory over fascist Germany meant further losses for the global capitalist system[19] – and decolonization thus appeared as another step in chipping away the space where the capitalist process could play out. It thus had the potential not only to strengthen the state-socialist countries but also to weaken the capitalist core if these countries could be economically tied to the East.

4. Ambivalence

The question was, therefore, how far state-socialist countries of Eastern Europe would go in drawing the newly independent countries into their sphere and integrating them into the Socialist World Economic System. When it came to economics, trade was the prime tool to achieve such an integration. Since the state-socialist countries commanded a state monopoly over foreign trade, it was theoretically easy to adjust trade priorities to political priorities; to learn what their potential partners in the Global South needed most, experts from Eastern Europe had to conduct some form of market research.[20]

In essence, there were two ways to increase trade between Eastern Europe and the newly independent states, and both were connected to the possibilities opened up by decolonization. The first way was to increase direct imports of goods from the Global South that could not be procured in Eastern Europe. These were primarily agricultural goods that could not be produced in northern climes for climatic reasons, such as coffee, cocoa, and tropical fruits. Such products were consumer goods. Their import did not serve any industrialization interests in the state-socialist countries or raise factor productivity, but they could satisfy consumer demands and thus increase living standards and make the population content.[21] What a country like the GDR could offer in return was mainly investment goods that could help industrialization efforts in the Global South. The advantage for the socialist East lay in developing such trade relations such that it could acquire tropical goods without having to pay intermediary traders in the former colonial capitals. This promised better buying prices and increased import quotas. Ideally, a country like the GDR could secure cocoa, coffee, and other tropical goods without having to

19 K. D. Roh, Stalin's Economic Advisers: The Varga Institute and the Making of Soviet Foreign Policy, London 2018, pp. 51–52, 71–80.

20 Entwurf für die von der DDR auszuarbeitenden zwei Abschnitte des Programms der Prinzipien und Kennziffern der sozialistischen internationalen Arbeitsteilung, 23 April 1960, BArch DE 1/21874.

21 Entwicklung des Außenhandels.

buy them in Western currency anymore, as would have been the case had the authorities there bought cocoa on an international trade exchange.

State-socialist authorities hoped to exchange commodity for commodity without freely convertible currency changing hands. In fact, since the newly independent countries as well as the state-socialist ones were cash-stripped, both sides had an interest in organizing their trade this way. This trading mechanism was referred to as trade with "countries of origin" in internal GDR documents, already implying that its main feat was to cut out intermediary traders and conduct transactions directly with the producers of the desired goods for import. It thus gave a mercantile advantage to the socialist East and access to relatively modern machinery on acceptable terms to countries from the Global South. Seen from the perspective of economic development, however, the East gained no direct advantage from this exchange, while the newly independent countries could at least use their imported machinery for industrialization and increasing economic output.

The outcomes of this trade regime were limited, but it was relatively easy to organize and put into practice. The general logic pertained, moreover, irrelevant of whether the import of tropical goods was swapped for other raw materials – like iron and copper ore or crude oil, which did serve the input needs of Eastern industry. However, this did not radically impact the fundamental problem of state-socialist economies, the need to increase factor productivity. At best, it gave them a mercantile advantage in relation to buying copper, iron, and crude from Western commodity markets, which demanded freely convertible currency and were unwilling to import manufactured goods from the East in return.

The second way in which the socialist East could build trade relations with the Global South was more complicated but also more promising in the long-term. Instead of importing raw materials and exporting machinery, the state-socialist countries could embark on a trade development path that focused on intra-industrial exchange. This demanded more sophisticated economic instruments to plan foreign trade than had been used in the Soviet Union and its satellites prior to the mid-1950s. Thus, practitioners of economic planning and foreign trade cooperated with scholars to generate new insights into trade. In the case of the GDR this meant the State Planning Commission (*Staatliche Plankommission*, SPK), the Central Institute for Economic Sciences (*Zentralinstitut für Wirtschaftswissenschaften*, ZIW) and the University of Economics (*Hochschule für Ökonomie*, HfÖ)[22] – which came up with the concept of "entanglement balances".

The idea of entanglement balances was introduced to show the whole production process of a product and/or use of a particular commodity. This allowed for the scrutiny of every production and resource usage step in detail and the identification of bottlenecks in the national economy. If a bottleneck was identified, it was imperative to look for solutions to optimize the production structure, not only within the realms of the national economy but also by means of foreign trade.[23]

22 See the research collection Forschungskollektiv Außenhandelsbilanzierung, 1964, BArch DE 1/51249.

23 Zusammenhänge zwischen Produktion und Außenhandel in der Verflechtungsbilanz des gesellschaftlichen Gesamtprodukts, 1964, BArch DE 1/51249.

Again, this was a deviation from previous thinking. In the state-socialist development model created in the early phase of Stalin's rule, importing was only judged sound when it involved either raw materials needed by industry and not producible at home or advanced machinery that could not (yet) be produced at home. Behind the tool of entanglement balances, however, stood a more complicated line of reasoning, as all economically possible import variants had to be taken into account. The fundamental insight was that the weakest link in the production chain could drag all the other parts down with it. It could thus be highly advisable to import those parts needed in a production process that were relatively high up in the value chain – rather than (just) raw materials, that is.[24] The change effected by this tool can be shown by a thought experiment: If a production process for, say, a T-shirt has ten different production steps, under the old trade regime, a state socialist country would concentrate its import operations on the first step, the production or acquisition of raw cotton, and leave the rest to be somehow dealt with in and by the domestic economy. Under the new regime, on the other hand, an analysis of the textiles industry might yield the result that in the, say, seventh production step, domestic industry could only process half the number of inputs as the other (next weakest) steps in the production process. Therefore, it would be prudent to import the required quantities of the output of the seventh step in order to fully utilize the production process and hence, realize the domestic industrial capacity. By optimizing the production process through selective or targeted imports, that is, the factor productivity of the economy could be increased.

These contours of a new trade regime were developed primarily with the member states of the Council for Mutual Economic Assistance (CMEA) in mind. Entanglement balances were not only a matter of domestic debate but were also discussed within the CMEA institutions.[25] Significantly, the idea could be easily expanded in the 1950s and 1960s to trade with the decolonized countries – and this was debated in academic circles that overlapped with bureaucrats responsible for economic decision-making. In the mid-1960s, for example, the dependence of East Germany on the Soviet Union as its largest export market for manufactured goods was an increasingly contested issue in the GDR. Therefore, countries in the Global South came into the picture. It was clear to the East German economic elite that the best form of trade with the South would be intra-industrial integration, importing (semi-)finished goods in addition to raw materials. In order to achieve such an outcome, domestic manufacturing investment also had to be adapted to the needs of a new trade regime.[26] Some governments in the South were open

24 Ibid.

25 Protokoll der VII. Tagung der Ständigen Kommission des RGW für Statistik 14.–17. Dezember 1965 in Moskau, n.d. (probably late December 1965), Archiv der Berlin-Brandenburgischen Akademie der Wissenschaften (hereafter ABBAW): Nsch. Nr. 512.

26 Kurzprotokoll der 13. Sitzung des Arbeitskreises am 30. Juni 1966, 13 July 1966, ABBAW: NSch. Nr. 529.

to such arrangements and even actively demanded them from state-socialist countries if they desired closer economic ties.[27]

These two different sets of opportunities for state-socialist elites to engage economically with the decolonized countries existed in parallel. This created a high level of ambiguity in actual policymaking, which is also tangible in the archival material. The more sophisticated approach to building trade relations often proved too complicated to be practical. The most constraining factor in the state-socialist countries generally was the lack of qualified personnel, as is shown by an example from the GDR. An overambitious draft proposal on sending economic experts to Guinea in the late 1950s for the head of the SPK led to internal (self-)criticism:

> *Comrade Quietzsch has given us a draft proposal. To begin with, 10 people have to be sent there* […] *That is fine. After a long discussion, we prepared a draft for the chairman, but at the same time, we wrote that we wanted to send 30 additional experts to Guinea in the long run.* […] *When we had our discussion with the chairman at the State Planning Commission, the chairman forcibly made it clear that we cannot accomplish our main task here at all if we do not concentrate all our abilities on the main questions; immediately, it came to my mind what madness it was to prepare a draft with 30 additional people to be sent to Guinea.* […] *We have to know where our duties lie. Of course, they are to solve the tasks of our republic. On the other hand, one cannot directly say that we do not want to help this progressive republic of Guinea; of course, we would like to help a bit, but one has to keep a sense of proportion here*.[28]

This extract from the files of the primary state-planning institution of the GDR shows the difficulties faced when it came to executing the grand visions of foreign trade in practice. The state authorities could not muster enough administrative capacity to engage in long-term schemes and considered it more important to focus on short-term targets. Sending a total of forty experts to a hitherto unknown country for incalculable gains seemed not to be worthwhile in the final analysis for state authorities when these experts could be sent to any other location instead – an economic expert who could work for the GDR in Guinea could most likely be just as well (i.e., better) sent to France or Sweden or work in a state concern back at home. Economic experts who commanded the hard and soft skills to work abroad were in short supply in the 1950s and 1960s.

Things could also go wrong if economic experts were explicitly sent to the South to lay the groundwork to tie the respective economies closer and thus integrate the former Western colonies into the Socialist World Economic System. Some experts had difficulties in internalizing their task. In 1968, the GDR government wanted to send two experts to Syria as advisers on economic planning – a first, according to the documents,

27 Die Entwicklung der wirtschaftlichen Beziehungen zwischen der Deutschen Demokratischen Republik und der Vereinigten Arabischen Republik, Region Ägypten, 5 June 1963, BArch DE 1/51310.

28 Referat Gen. Henke, Gen. Richter v. 3.5.59 (Dienstbesprechung), n.d. (probably mid-May 1959), BArch DE 1/21173 (own translation).

since the state-socialist countries had previously only sent specialists to Syria and not advisers who worked directly in the Syrian central government.[29] According to archival sources, the preparation of the two experts at home already exposed significant flaws in the administrative body of the GDR:

> *Although both comrades had been instructed by comrades Joswig and Hinsel from the University of Economics Institute for the Economy of Developing Countries – and other comrades* […] *it is already clear now […] that the leading functionaries of the central state apparatus see the question of close cooperation with Syria solely from the commercial angle and not the political task of increasing the influence of the socialist camp in an Arab state that is on the non-capitalist path in designing its societal system. According to the two comrades, there are no concepts within the central state apparatus on how to increase the trade share with Syria and incorporate Syria within the division of labour of the socialist countries.*[30]

This report was filed by the Central Institute for Socialist Economic Leadership and sent to the Central Committee of the Socialist Unity Party (*Sozialistische Einheitspartei Deutschlands*, SED). The head of the institute made his claim in the letter as a precaution, stating that his institute could not assist because, officially, it did not deal with developing countries. It was a suspiciously modest statement for the leader of a prestigious institute tasked with providing advanced training on all economic matters for leading managers of state companies and bureaucrats of the highest echelon. Such a report amplifies the notion that the GDR authorities failed to create realistic and pragmatic strategies that would make use of the theoretical possibilities offered by decolonization in the 1950s and 1960s.

5. Political Tailwind

The problem was not a lack of will in particular. The forces within the SPK and the foreign trade apparatus of the GDR that wanted to increase their ties with the Global South had the backing of the political leadership of the SED in the 1960s. For example, they could point to various speeches made by Walter Ulbricht, General Secretary of the SED and the GDR's leading politician between 1949 and 1971. This push for greater ties with the outside world coincided with economic reform initiatives that he had supported after the construction of the Berlin Wall in 1961. Although seemingly contradictory, physically sealing off the GDR's population from the non-socialist world gave the regime more room to conduct controlled experiments with the economy, including in relation to its external trade.

29 Aktennotiz über das mit den Genossen Niederberger und Gebauer am heutigen Tage geführte Gespräch betr. Unterstützung der Arbeit der beiden Regierungsberater in Syrien, 25 January 1968, BArch DY 30/87219.

30 Ibid. (own translation).

The GDR was not the only state-socialist country to try to reform its economy in the 1960s. Similar experiments were conducted in Hungary with the "New Economic Mechanism" and in the Soviet Union with the so-called "Kosygin Reforms". In the GDR, the set of economic reforms enacted in the 1960s was later dubbed the "New Economic System" (*Neues Ökonomisches System*, NÖS).[31] It is clear in the archival files that this new spirit of open-mindedness to limited economic reform had repercussions for the foreign trade sector. Trade directives from the 1960s are layered with statements by Walter Ulbricht and other party functionaries, such as Ulbricht's remarks in the eleventh plenum of the SED Central Committee in December 1965:

> *As a modern industrial state, the GDR can only make good progress if its national economy is properly integrated with the world markets, if it shapes its foreign economic relations with the aim of substantially increasing the economic benefit through the international exchange of goods, through the international division of labour and cooperation. We need foreign economic activity that effectively contributes to increasing the performance of our national economy and national income.*[32]

This statement by Ulbricht was used to push for increased ties with the Global South internally. It was assumed that the economic role of the decolonized countries would increase substantially in the immediate future, as they had already started to industrialize – the question was whether the East German authorities were prepared to profit from the anticipated boom. By calling for a (more) efficient foreign trade apparatus, Ulbricht already implied that they were not.

Internally, the largest problems were identified in the sphere of "ideological barriers".[33] Mid-level planners and company directors were criticized for their reluctance to organize intra-industry cooperation both among East German companies and between East German and foreign companies. This led – apparently – to a profound inhibition when it came to developing the foreign trade relations of the GDR, as its economy was unable to develop and profit from sophisticated supply chains and a well-organized, international system of division of labour with countries outside of Western Europe and North America.

Documents from the personal bureau of Walter Ulbricht suggest a very farsighted view of future economic developments:

> *The elaboration of the perspective development of the national economy of the GDR must take into account that in the developing countries, the number of cases where countries want to process their own raw materials themselves is constantly increasing. This is con-*

31 On the reform in general, see A. Steiner, Reformen in der DDR der sechziger Jahre: Planwirtschaft auf dem Weg zum Markt?, in: C. Boyer (ed.), Sozialistische Wirtschaftsreformen. Tschechoslowakei und DDR im Vergleich, Frankfurt am Main 2006, pp. 125–190.

32 Entwicklung der Außenwirtschaftlichen Beziehungen der DDR zu den Entwicklungsländern, 2 January 1967, BArch DY 30/3310 (own translation).

33 Ibid.

> *nected with the emergence of certain branches of processing industry in these countries* […]. *Therefore, the GDR must take into account the changing proportions of imports of raw and auxiliary materials in favour of semi-finished and finished products from developing countries in the prognostic estimates as well as in the prospective and annual national economic plans.*[34]

This statement was somewhat revolutionary. Hitherto, the economic planners of the GDR had drafted their plans according to the needs of the East German economy. From the mid-1950s on, they had increasingly tried to consider the economic needs of other Eastern European state-socialist countries in their plans. For this reason, negotiations within the structure of the CMEA and in bilateral commissions with other state-socialist countries had gained a new quality in the 1950s. But this statement from Ulbricht's personal office implied that the GDR economy had to be actively restructured according to the needs of the world market with a special emphasis on the decolonized countries. The goal was for the East German economy to rise in the value chain by outsourcing production to the South without alienating those countries and their anticipated economic interests. Both light and heavy industry had to adapt their structure to the world market, which meant changes in the composition of their capital stock.

A guiding example was seen in the developing economic relations with Egypt. GDR officials saw great potential in Nasserite Egypt and had formed working groups with their Egyptian counterparts on the expanding cooperation in the agricultural and industrial sectors.[35] The difficult task in the eyes of the masterminds behind the policy paper coming directly from Walter Ulbricht's office was to gain a clear picture of the future. The economy of the GDR was not to be restructured according to its own needs and the needs of the world market in the mid-1960s. Instead, planners were to have a clear view of the world economy in the 1980s and make decisions in the present with the 1980s in mind. It was demanded of them that they break down these macro developments in the world market to the economic structure of each country, in particular the countries of the Global South.[36]

These demands posed challenges on multiple levels. One of the most important was that company directors had to be successfully coerced or nudged into accepting a large injection of dynamism in the development of the economic structure of East Germany that potentially threatened their power and privileges. Another was that analytically reducing the future world economy to a level of fine-grained detail demanded a very sophisticated planning apparatus and cooperation between economic decision-makers, on the one hand, and economists and area specialists, on the other.

34 Ibid. (own translation).
35 Ibid.
36 Ibid.

6. Knowledge Production

The GDR – like other state-socialist countries – had tried hard since the mid-1950s to build up its "human capital" and to increase the pool of talented economists and area specialists who could research the economies of and do business with the newly independent countries in the Global South. Some of the institutions involved have already been mentioned in the example given above on two East German experts who were sent to Syria in 1968: the HfÖ (university) and the ZIW (institute). The former was a more academic institution, while the latter provided training courses for the higher echelons of the economic and political elite of the GDR, with courses focusing on practical matters lasting from one weekend to several months.

The role of the HfÖ increased in the 1960s as it became a centre of knowledge production on the Global South, with most experts working at the aforementioned Institute for the Economy of Developing Countries. The university shared a significant number of its academic personnel with the ZIW at the Academy of Sciences in Berlin. The institute was founded in 1953. This was no coincidence. Although the death of Stalin was not among the direct reasons for its foundation, his death did accelerate and enable gradual changes to the state-socialist system. This included a partial opening up to the rest of the world in ideological and economic terms, which was exemplified by the ZIW. One of its founders was Gunther Kohlmey, who published the monograph *The Democratic World Market* in 1955. Kohlmey was referring to the economic area formed by the state-socialist countries, but research at the ZIW soon extended to encompass the South. As a department head at the institute in the 1960s, Kohlmey was responsible for the working group Socialist World Economy, which focused on the economic structure and needs of the decolonized countries.[37]

The work of the ZIW became less "academic" in the 1960s, significantly in response to the demands of the economic reform program in East Germany. The economic planning and foreign trade apparatus had to become much more sophisticated in order to perform the more complex tasks, such as anticipating changes in the world market and their repercussions for the East German economy. The state bureaucracy could hardly achieve this on its own; it was quite unable to generate and process the necessary knowledge by itself. Therefore, the economic sciences in the GDR had to be given more resources and simultaneously tied more closely to the state bureaucracy. The ZIW and SPK and the ZIW and Ministry for Foreign Trade founded joint commissions. The purpose of these commissions was to organize the knowledge production and sharing necessary for the state bureaucracy to fulfil its new role.[38] The ZIW–SPK and ZIW–Ministry com-

37 Institut für Wirtschaftswissenschaften, 24 May 1966, ABBAW: Bestand Arbeitsgemeinschaft der Gesellschaftswissenschaftlichen Institute und Einrichtungen der AdW, Nr. 47.

38 Protokoll über eine Aussprache betr. Strukturforschung am 14.7.1966, 18 July 1966, ABBAW: NSch., Nr. 529; Kurzprotokoll der 13. Sitzung des Arbeitskreises am 30. Juni 1966, 13 July 1966, ABBAW: NSch., Nr. 529.

missions were officially chaired by Gerhard Schürer, head of the SPK, and Horst Sölle, Minister for Foreign Trade, respectively.

The economic reform program eventually failed; the complexity and sophistication of the planning process simply could not be enhanced to the degree necessary to meet the broad economic agenda envisioned. One of the reasons for this was that the "ideological barriers" mentioned in internal East German economic policy directives could never be overcome. The majority of mid-level economic planners and company directors never changed their attitude to business cooperation and foreign trade, and efforts to coerce or nudge them into it failed. Another important reason was that a bigger role and greater intellectual freedom for social scientists – like economists – carried political risks in the eyes of the SED leadership.

The work of Gunther Kohlmey exemplifies the dangers from the regime's perspective of granting intellectual freedom, albeit limited, to economic experts. His case also shows the practical limits of the policy of "opening up" to the Global South. Kohlmey and other, like-minded East German economists were purged twice after 1953. The first incident occurred in the late 1950s during the debate on "revisionism". As the party feared for its intellectual supremacy, it demoted and publicly humiliated, among others, leading economists who had formed the intellectual avant-garde of reforming socialism and opening up the economy of East Germany – not to the West but to other state-socialist and decolonized countries.[39]

The second occasion occurred in the late 1960s and early 1970s and was partly related to the downfall of Walter Ulbricht. His successor, Erich Honecker, had to assert his power by obliterating his predecessor's policies, primarily his economic reforms, which had serious repercussions for the reform economists.[40] Also, the economic reforms of the mid-1960s had already started to cause headaches for the party leadership later in the decade, as their direct control over the economic apparatus was threatened by a less top-heavy and more flexible socialist economy.[41] These purges meant that cooperation between social scientists and economic planners remained limited and that the complex planning methods envisioned for trading with the Global South were largely never implemented.

7. Conclusion

The economic opportunities of decolonization did not go unnoticed by the political as well as economic elites of the state-socialist countries. Decolonization coincided with heated debates on economic integration inside the Soviet Bloc. These two processes –

39 G. Krause, Wirtschaftstheorie in der DDR – Eine Frage und vier Thesen, in: G. Krause et al. (eds.), Wirtschaftstheorie in zwei Gesellschaftssystemen Deutschlands. Erfahrungen – Defizite – Herausforderungen, Berlin 2012, pp. 18–20; K. Steinitz, Das Spannungsfeld von Ökonomischer Forschung und Politik in der DDR und ein Vergleich mit der Bundesrepublik, in: Wirtschaftstheorie in zwei Gesellschaftssystemen in Deutschland, p. 39.

40 Steinitz, Spannungsfeld, p. 41.

41 W. Adolphi and J. Schütrumpf, Vorwort, in: W. Adolphi and J. Schütrumpf (eds.), Gunther Kohlmey. Sozialismus als Alternative. Texte von 1947 bis 1993, Berlin 2001, pp. 10–11.

the decolonization and economic integration – were not at first related to each other but soon became entangled, as the former colonies of the Western imperial powers were regarded as potentially compatible with the state-socialist economies. Integration schemes designed for the socialist East were, therefore, also transferred to the newly independent countries. Economically, integration demanded a sophisticated set of ideas on the role of foreign trade in development at home and abroad. The key concepts were the "Socialist World Economic System" and "entanglement balances". The elites from the state-socialist countries did not stop at such thought experiments but also tried to put their ideas to practice, but these practical experiments proved difficult to realize.

One problem that emerged was the ambiguity of foreign trade and economic planning practitioners that could not be overcome. More often than not, actors focused on short-term gains and lacked a clear commitment to developing ties with the Global South. Instead, they wanted to secure the supply of raw materials for their industries and tropical goods for consumers back home. In the long term, this was a suboptimal strategy. Analysis by leading research institutions from within the state-socialist countries had shown that a clear commitment to East-South trade and pursuit of a long-term development strategy could help solve the main problem of the economies of the East: the unimpressive factor productivity. That such a development strategy was engaged with at all may be adjudged a very rational choice; that it was done so rather piecemeal and only reluctantly was a quite separate, pragmatic issue, linked, perhaps, to the inherent conservatism of the bureaucratic party system.

Decision-makers in the state-socialist countries were too risk-averse to follow up on a lofty plan that promised no immediate return but bound up precious resources in the short term. This was particularly true for experts on economic planning and foreign trade who were not in great supply in the state-socialist countries. Risk-averse behaviour in an economic sense was not the only reason, however. Political risk-averseness played a large role, as well. The political leadership of East Germany wanted a strong and capable economy, but it was unwilling to grant a sizeable amount of autonomy in decision-making to economic planners, managers, and social scientists, whose collaborations, therefore, had to remain severely limited.