

Between Business Interests and Ideological Marketing

The USSR and the Cold War in Fiat Corporate Strategy, 1957–1972

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On 15 August 1966, the Fiat automotive company signed an agreement in Moscow with the Soviet government regarding the construction of the Volga Automobile Factory (VAZ) to manufacture Fiat cars. The plant began operations in September 1970—one year later than originally planned—and was a highly automated facility that was able to produce 660,000 Fiat 124s per annum.¹

More than half a century later, the image of Italian-Soviet partnership in building the giant automobile plant still arouses emotions and curiosity, as demonstrated by documentaries and preparations for the fiftieth anniversary

1. The model's body and engine were modified to be better suited for Soviet roads and climatic conditions. The total cost of constructing the plant was estimated at \$642 million in February 1966: \$247 million (39 percent) was to be spent in Italy, about \$55 million (8 percent) was to be spent in the United States, France, Great Britain, Belgium, Switzerland, and West Germany (but this percentage grew to such an extent that \$50 million alone was expected to be spent in the United States), and \$340 million (53 percent) was to be spent (it never was) on building plants or equipment in member-states of the Council for Mutual Economic Assistance. This estimate included neither consultancy fees for the technical designs of the factory and the car nor the transfer of know-how and assistance methods, nor did it budget for purchasing special materials or paying third parties' commissions for patents or additional know-how. The agreement was made possible by the Italian bank IMI (Istituto Mobiliare Italiano), which granted loans to pay Fiat and to buy the plant equipment. IMI offered the Soviet Bank for Foreign Trade (Vneshtorgbank) a purchasing credit of \$300 million at an interest rate of 5.6 percent and helped the Soviet Union obtain extended payment terms on foreign machinery purchases. Another determining factor was the Italian government's decision to allow the Mediocredito bank to make a contribution to IMI, reducing the annual cost of the Soviet National Bank's loan by 2.73 percent. See "Studio di massima per realizzare uno stabilimento per la produzione di una vettura di media grandezza," February 1966, in Archivio Storico Fiat (ASF), Fond (F.) URSS, 29; "Protocollo di Collaborazione tecnico scientifica nel campo automobilistico," 1 July 1965, in ASF, F. URSS, 37; "Accordo Generale," 15 August 1966, in ASF, F. URSS, 37; Lewis H. Siegelbaum, *Cars for Comrades: The Life of the Soviet Automobile* (Ithaca, NY: Cornell University Press, 2008), pp. 80–92; and Sergei Zhuravlev et al., *AvtoVAZ: Mezhdru proshlym i budushchim, Istoriia volzhskogo avtomobil'nogo zavoda 1966–2005* (Moscow: Izdatel'stvo RAGS, 2006), pp. 46–66.

Journal of Cold War Studies

Vol. 20, No. 4, Fall 2018, pp. 26–64, doi:10.1162/jcws_a_00822

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in 2016.² Scholars tend to present the construction of the Volga plant as a turning point in East-West economic relations and to interpret the deal either as the swan song of Fiat's almost legendary chairman, Vittorio Valletta (1883–1967), and the zenith of Italian Fordism; as an undeniable sign of the “Neo-Atlanticist” turn in Italian foreign policy; as a prototypical Soviet Detroit; or as the result of a huge technology project that paved the way for a consumer revolution leading to the undoing of the Soviet Union.³

Despite the symbolic significance attributed to “the deal of the century” by the press and academics, it was only one of many agreements signed in a period when, as one scholar writes,

capitalists were knocking at the Soviet door more willing than ever to profit from the Soviet Union. The bureaucracy was pervaded by a new technocratic élite that was no longer paralyzed by fear and was therefore more agile when it came to fulfilling the Soviet promise of greater consumer abundance.⁴

The records on which this article is based, which were only recently made available from the Fiat archives, confirm that the construction of the Volga plant was the result of a confluence of interests and political, economic, and technical dynamics that originated at different times and in different places and allowed the Turin-based company to play the important role of icebreaker

2. *Togliatti(grad)*, documentary, directed by Giampiero Palombini and Federico Schiavi (2014, Rome, Italy: Suttvues, Nacne in collaboration with Rai Storia e Archivio Nazionale del Cinema di Impresa).

3. On the deal as Valletta's swan song, see Vittorio Castronovo, *Fiat: 1899–1999: Un secolo di storia italiana* (Milan: Rizzoli, 1999), pp. 1109–1124; and Piero Bairati, *Vittorio Valletta* (Turin: UTET, 1983), pp. 322–335. On the deal as a sign of Italy's Neo-Atlanticist turn, see Bruna Bagnato, *Prove di Ostpolitik: Politica ed economia nella strategia italiana verso l'Unione Sovietica: 1958–1963* (Florence: Leo S. Olschki, 2003). On the role of East-West trade in Neo-Atlanticist policies, see Evelina Martelli, *L'Altro Atlantismo: Fanfani e la politica estera italiana 1958–1963* (Milan: Guerini, 2008), pp. 14–17; Luciano Tosi, “Tra politica e economia: I nuovi orizzonti delle relazioni internazionali italiane,” in Agostino Giovagnoli and Luciano Tosi, eds., *Amintore Fanfani e la politica estera italiana* (Venice: Marsilio, 2010), pp. 54–77; and Antonio Varsori, *L'Italia nelle relazioni internazionali, 1943–1992* (Rome: Laterza, 1998). On the deal's purported role in paving the way to the collapse of the USSR, see Lewis Siegelbaum, “The Faustian Bargain of the Soviet Automobile,” *Trondheim Studies on Eastern European Cultures and Societies*, No. 24 (2008), pp. 111–120; Nordica Nettleton, “Driving toward Communist Consumerism,” *Cahiers du Monde Russe*, Vol. 47, Nos. 1–2 (January–June 2006), pp. 131–152; and Gyorgyi Péteri, ed., *Imagining the West in Eastern Europe and the Soviet Union* (Pittsburgh: University of Pittsburgh Press, 2010).

4. Oscar Sanchez-Sibony, *Red Globalization: The Political Economy of the Soviet Cold War from Stalin to Khrushchev* (Cambridge, UK: Cambridge University Press, 2014), p. 88. See also Mark B. Smith, “Peaceful Coexistence at All Costs: Cold War Exchanges between Britain and the Soviet Union in 1956,” *Cold War History*, Vol. 12, No. 3 (2012), pp. 537–555; Angela Romano, “Untying Cold War Knots: The European Community and Eastern Europe in the long 1970s,” *Cold War History*, Vol. 14, No. 2 (2014), pp. 153–173; and Federico Romero, “Cold War Historiography at the Crossroads,” *Cold War History*, Vol. 14, No. 4 (2014), pp. 685–703. It was the “deal of the century” according to Averell Harriman. See Castronovo, *Fiat*, p. 1,120.

in Cold War Europe.⁵ Focusing on Fiat's business venture in the Soviet Union, this article explores from the inside how the ups and downs of the Cold War defined the strategy of an important West European multinational company and how the corporation attempted to manipulate and influence the national and international political context in which it was acting, challenging East-West trade restrictions as an economic and a political actor.⁶

To this end, the article reconstructs Fiat's strategy toward the Soviet Union through the prism of sometimes competing narratives: the minutes of the board of directors; the reports of Fiat technical experts; the letters of the Fiat agent in the Soviet Union, Piero Savoretti; and, if only partly, U.S. diplomatic and Soviet technical sources.

In following these narratives, my aim is to illustrate and explain the complex ideological web that enveloped the company's commercial interests and to show how a car, more than any other product, was the ideal instrument to provide ideological legitimation to the growth of East-West trade and to the increasing interest of West European firms in Communist markets.

The article focuses on how, despite the business nature of the Soviet-Italian agreement and the business context in which these narratives came into existence, 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. Most of these narratives depicted the Fiat decision, which provided the Soviet Union with automotive technology and technical assistance, not so much as an opportunity to make profits for the company as a peace-building opportunity.⁷

5. U.S.-Italian economic relations on East-West trade have been extensively researched in the U.S. diplomatic archives by Adriana Castagnoli, *La guerra fredda economica: Italia-Stati Uniti, 1947-89* (Rome: Laterza, 2014). See also: Leopoldo Nuti, "Le relazioni tra Italia e Stati Uniti agli inizi della distensione," in Agostino Giovagnoli and Silvio Pons, eds., *Tra Guerra Fredda e distensione: Atti del ciclo di convegni, Rome, Novembre-Dicembre 2001*, Vol. 1, *L'Italia Repubblicana nella crisi degli anni Settanta* (Soveria Mannelli, Italy: Rubbettino, 2003), pp. 29-62; and Mario Del Pero, "L'Italia e gli Stati Uniti: Un legame rinnovato?" in Federico Romero and Antonio Varsori, eds., *Nazione, interdipendenza, integrazione: Le relazioni internazionali dell'Italia*, Vol. 1 (Rome: Carocci, 2005), pp. 301-315.

6. Sari Autio Sarasmo and Katalin Miklössy, eds., *Reassessing Cold War Europe* (London: Routledge, 2011); and Gunnar Adler-Karlsson, *Western Economic Warfare 1947-1967: A Case Study in Foreign Economic Policy* (Stockholm: Almqvist & Wiksell, 1968). For the Coordinating Committee for Multilateral Export Control (COCOM), see U.S. Congress, Office of Technology Assessment, *Technology and East West Trade*, (Washington, DC: U.S. Government Printing Office, 1979), pp. 153-166; Ian Jackson, *The Economic Cold War: America, Britain and East-West Trade, 1948-63* (Basingstoke, UK: Palgrave, 2001); and Jari Ojala and Jari Eloranta, eds., *East-West Trade and the Cold War* (Jyväskylä, Finland: University of Jyväskylä, 2005).

7. Franco Amatori, "La storia d'impresa come storia," in *La storia d'impresa come professione* (Venice: Marsilio, 2008), pp. 585-602. On the narrative approach to the history of the business enterprise, see

The construction of the Volga automobile factory was an important step in Fiat's relaunch as a global player in the automotive industry and also became the instrument of an ideological marketing campaign supported by convergent business interests. The venture was intended to sell to the more conservative factions of the public and the political parties of both East and West the need for an intensification of East-West trade, which was already underway.⁸

The article thus looks at the VAZ agreement as the result of Fiat'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—visions that were shared by Valletta and Enrico Mattei (1906–1962), president of the Italian State Oil Industry (Ente Nazionale Idrocarburi, ENI).⁹

Cars were not politically neutral artifacts. On the one hand, U.S. intelligence made clear that Fiat was not selling to the Soviet Union machinery that could have been adapted to military production, but this helped to spread the idea that mass motorization would divert resources from military to peaceful activities.¹⁰ In addition, Fiat cars were unquestioned symbols of the “Italian economic miracle” and of the extraordinary postwar economic growth that the European Recovery Program (ERP) had set in motion.¹¹

Per Hansen, “Business History: A Cultural and Narrative Approach?” *Business History Review*, Vol. 86, No. 4 (Winter 2012), pp. 693–717; Andrew Popp, “Making Choices in Time,” *Enterprise and Society*, Vol. 14, No. 3 (2013), pp. 467–474; Lars Heide, “Innovation as Narratives: Concepts and Dynamics of Computer Innovation in the United States in the 1940s,” Manuscript, August 2017; and Karl E. Weick, *Sensemaking in Organizations* (Thousand Oaks, CA: Sage, 1995).

8. Philip Hanson, *The Rise and Fall of the Soviet Economy: An Economic History of the USSR from 1945* (London: Longman, 2003) p. 123; and Per Hoghselius, *Red Gas: Russia and the Origins of European Energy Dependence* (Basingstoke, UK: Palgrave Macmillan, 2013).

9. Daniele Pozzi, *Dai gatti selvaggi al cane a sei zampe: Tecnologia, conoscenza e organizzazione nell'Agip e nell'Eni* (Venice: Marsilio, 2009); and Giuseppe Berta, *L'Italia delle fabbriche: Genealogie ed esperienze dell'industrialismo nel Novecento* (Bologna: il Mulino, 2001), pp.131–163, esp. 139.

10. Yves Cohen, “La technique, son contexte et le travail: Que nous dit la conception de la 201 Peugeot?” in Jean-François Belhoste et al., eds., *Autour de l'industrie, histoire et patrimoine: Mélanges offerts à Denis Woronoff* (Paris: Comité pour l'histoire économique et financière de la France, 2004), pp. 425–448; and Wiebe E. Bijker and John Law, eds., *Shaping Technology / Building Society: Studies in Sociotechnical Change* (Cambridge, MA: MIT Press, 1992).

11. Scholars refer to the years from 1950 to 1965 as the years of the “Italian economic miracle.” This was due to the unprecedented performance of the Italian economy. Tolliday reports that from 1950 to 1973, Italy's gross national product grew at 6.8 percent per annum and its gross domestic product (GDP) per capita at a rate of 4.8 percent, second only to Japan worldwide and matching only West Germany among European countries. See Steven W. Tolliday, “Introduction: Enterprise and State in the ‘Italian Economic Miracle,’” *Enterprise and Society*, Vol. 1 (2000), pp. 241–248; and Duccio Bigazzi, “Mass Production or ‘Organized Craftsmanship’? The Post-War Italian Automobile Industry,”

From this perspective, the history of the Volga factory 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. Fiat played the role of an important intermediary in the years when the groundwork for bilateral U.S.-Soviet relations had not yet been laid. Valletta's strong ties with Washington, which meant Fiat stood apart from other European producers, as well as the particular way in which U.S. machinery was used in the Mirafiori plant and the way the U.S. model of mass production had been "adapted," made Fiat the obvious choice to provide process and product technology to the Soviet automobile industry.¹²

The ideologically charged environment influenced and clouded the strategic decision-making of the company, however. Fiat management understood neither the enormous difficulties the Soviet economy faced in managing the complexity of automotive production nor the ambivalence of the Soviet call for a "people's car." The article explores why Fiat gambled on what proved to be a much more difficult collaboration than expected and the way this cooperation unfolded. In the workshops and along the assembly lines, ideological considerations clashed with the needs of production, and Fiat learned at its own expense the cost of Cold War rhetoric.¹³

The CMEA Countries in Fiat's "Politics of the Automobile"

Valletta referred to the construction of the Volga manufacturing plant as his swan song. "Il Professore," as he was known in the trade, had been at the helm of Italy's leading automobile company from 1946 to April 1966, when he retired (at the age of 83) and was succeeded by Giovanni (Gianni) Agnelli, the nephew of the founder.

Italian motorization had undoubtedly benefited from the period of extraordinary economic expansion known as the "Italian economic miracle," but Valletta's strategy at Fiat also played an important role in making automobiles

in Jonathan Zeitlin and Gary Herrigel, eds., *Americanization and Its Limits: Reworking U.S. Technology in Post-war Europe and Japan* (Oxford, UK: Oxford University Press, 2000), pp. 281–284.

12. Duccio Bigazzi, *La grande fabbrica* (Milan: Feltrinelli, 2000), pp. 89–213; and Giuseppe Berta, *Mirafiori: La fabbrica delle fabbriche* (Bologna: il Mulino, 1998), pp. 7–25.

13. Melvyn P. Leffler and Odd Arne Westad, eds., *The Cambridge History of the Cold War*, Vols. 1–3 (Cambridge, UK: Cambridge University Press, 2010); and Federico Romero, *Storia della Guerra Fredda: L'ultimo conflitto per l'Europa* (Turin: Einaudi, 2009).

accessible to a vast segment of the Italian population.¹⁴ In doing so, Fiat eliminated its domestic competition and achieved an almost total monopoly on the Italian car market.¹⁵

Valletta's strategy rested on two main pillars. The first was a radical and costly restructuring of production technology and facilities, including the introduction of automated processes, making the Mirafiori factory in Turin the flagship of Italian Fordism. The second pillar was specialization in the lowest segments of small-car production (500-cc and 1,000-cc), vehicles that would be inexpensive to buy and operate.¹⁶ This strategy entailed a business structure that was centralized, localized in Piedmont, and hierarchical. In the early 1960s, Fiat was organized into three divisions: Fiat Avio (aviation), Fiat Grandi Motori and Ferroviaria (large diesel maritime engines, power equipment, and railroad locomotives and cars), and Fiat Auto (automobile manufacture and assembly), with 40 departments, all accountable to the chairman and his senior management. But Fiat's monolithic, vertically integrated structure was geared to the priorities of its core business—automobiles—and was consistent with its almost total monopoly in the domestic car market.¹⁷

Nevertheless, at the start of the 1960s, the automobile industry was beginning to change worldwide, and Fiat's position was under threat. Not only had U.S. car manufacturers become more aggressive in Europe, but the growing intra-European competition was creating challenges to Fiat's dominant position in Italy.¹⁸ Furthermore, the Italian manufacturer was lagging behind in developing marketing and adaptation strategies to compete in increasingly demanding and diversified markets in Europe and America.¹⁹ Valletta had

14. Associazione nazionale fra industrie automobilistiche (ANFIA), *Automobile in cifre* (Turin: ANFIA, 1982); and Federico Paolini, *Un paese a quattro ruote: Automobile e società in Italia* (Venice: Marsilio, 2005), pp. 111–134.

15. Castronovo, *Fiat*, pp. 1056–1071, 1109–1124.

16. Chiara Casalino, "Fiat verso l'internazionalizzazione: Dalla presidenza di Valletta alla riorganizzazione 1946–1972," *Annali di Storia dell'Impresa*, Vols. 15–16 (2004–2005), pp. 455–485; Giuseppe Volpato, "Il processo di internazionalizzazione della Fiat in campo automobilistico," in Cesare Annibaldi and Giuseppe Berta, eds., *Grande impresa e sviluppo italiano: Studi per i cento anni della Fiat* (Bologna: Il Mulino, 1999), pp. 343–412; and Duccio Bigazzi, "Un'impresa italiana sul mercato mondiale: L'attività multinazionale della Fiat fino al 1940," *Annali di storia dell'impresa*, Vol. 2 (1986), pp. 209–263.

17. Vincenzo Comito, *La Fiat tra crisi e ristrutturazione* (Milan: Editori Riuniti, 1982), pp. 57–60; and Giuseppe Volpato, *Il caso Fiat: Una strategia di riorganizzazione e di rilancio: La Fiat negli anni ottanta e novanta* (Turin: UTET, 1996), pp. 81–89.

18. Castronovo, *Fiat*, pp. 1054–1059; and Francesca Fauri, "Surviving in the Global Market: 'Americanization' and the Relaunch of Italy's Car Industry after the Second World War," *Contemporary European History*, Vol. 21, No. 1 (February 2012), pp. 41–59.

19. Giuseppe Volpato, "L'evoluzione delle strategie di marketing nell'industria automobilistica internazionale," *Annali di storia dell'impresa*, Vol. 2 (Milan: Angeli, 1986), pp. 119–208.

reacted to the first signs of crisis by applying what had been a winning strategy in Italy to emerging, “undermotorized” markets. Underdeveloped countries, with the exception of Brazil and Argentina, seemed too far from motorization, whereas Spain and the countries of the Eastern bloc, being only “undermotorized,” were, according to Fiat, much further down the path toward mass motorization.²⁰

The Council for Mutual Economic Assistance (CMEA) was both a promising market for Fiat products and an area where Fiat might apply technical and managerial skills it had developed when dealing with the first mass wave of Italian motorization in the 1950s. Fiat’s vertically integrated structure—with the central management controlling the entire productive system from material inputs and components production to assembly—and its mass production strategy, which was based on the gradual introduction of inflexible automation technology, were particularly suited to the needs of Soviet ministries in search of a partner able to provide licenses, equipment, and technical assistance for a turnkey plant in a green-field location.²¹ In addition, in planned economies, shortages and difficulties in coordinating supplies compelled enterprises to manufacture components internally and control sources of material inputs as much as possible.²² As a consequence, internal diversification and a high level of vertical integration remained characteristic features of the Soviet automobile industry at least until the 1980s.²³

The 1966 contract with the Soviet Union thus seemed to reflect Valletta’s resistance to strategic and structural change and his attempt to keep his company on familiar paths rather than develop innovative marketing and productive strategies to compete in the more challenging markets of North America and Western Europe.²⁴ This has led some scholars to interpret Fiat

20. Enrico Minola, “Note,” Administration Board Meeting, Verbatim Minutes, 30 January 1967 and 29 July 1967, in ASF, Book 37; and Andrea Tappi, *Un’impresa italiana nella Spagna di Franco: Il rapporto Fiat-Seat dal 1950 al 1980* (Perugia: Crace, 2008).

21. Giuliano Maielli, “Spot-Welding Technology and the Development of Robotics at Fiat, 1972–1987: A Case of Production Management Discontinuity?” *Business History*, Vol. 47, No 1 (January 2005), pp. 102–121.

22. Hanson, *The Rise and Fall of the Soviet Economy*, p. 144; and Lewis H. Siegelbaum, ed., *The Socialist Car: Automobility in the Eastern Bloc* (Ithaca, NY: Cornell University Press, 2011), pp. 6–8.

23. Still in the late 1990s, VAZ (Avtovaz) seemed to be organized according to a “modèle fordiste exacerbé.” Jean-Jacques Chanaron, “Lada, ou la possibilité de survivre avec un mode de production fordiste,” in Michel Freyssenet et al., eds., *Quel modèle productif? Trajectoires et modèles industriels des constructeurs automobiles mondiaux* (Paris: La Découverte, 2000), pp. 483–497.

24. Giuseppe Volpato and Arnaldo Camuffo, “Le passage de Fiat à la fabrication ‘au plus juste,’” in Michel Freyssenet et al., eds., *Quel modèle productif?*, pp. 337–368; and Franco Amatori, “Gli uomini del Professore: Strategie, organizzazioni, management alla Fiat tra anni Venti e anni Sessanta,” in Annibaldi and Berta, eds., *Grande impresa e sviluppo italiano*, pp. 266–271.

“Ostpolitik,” as Castronovo describes it, as one of the first symptoms of the organizational disease that was to contribute to the difficulties the company soon faced.²⁵

The peculiarities of the Italian-Soviet deal suggest, however, that the business strategy Fiat followed in its negotiations with the Soviet Union differed significantly from the clear focus on automobile production Fiat envisioned for Yugoslavia, Poland, and Romania. Records of Fiat’s contract with the Soviet Union show that Valletta’s interest in the USSR was dictated by his awareness that the doors the deal would open would be of greater benefit for Fiat’s non-car products and for Italian engineering in general (as opposed to Fiat automobiles specifically). The VAZ deal can thus reasonably be considered the act of a man at the end of his career and near the end of his life who was looking back. Simultaneously, it was the forward-looking act of a man who wanted his legacy to signal the path Fiat management should follow. The time for the transformation of Fiat from a highly centralized firm into a holding company with diversified product lines had come, and the plant to be built in Tolyatti, a city in Samara Oblast, Russia, named after the longtime leader of the Italian Communist Party, Palmiro Togliatti (1893–1964), was the first step in that direction. At the same time, Valletta’s mandate included a message about the need for companies to have a say in Cold War politics.

Socialist *Concordia Discors* and Fiat *Divide et Impera*

Fiat was one of the first large Western corporations to integrate in its production cycle manufacturing units specializing in the supply of lower added-value products and components located in Central and Eastern Europe, mainly Poland and Yugoslavia.²⁶ To achieve this, company managers had long

25. Armando Camuffo and Giuseppe Volpato, “Dynamic Capabilities and Manufacturing Automation: Organizational Learning in the Italian Automobile Industry,” *Industrial and Corporate Change*, Vol. 5, No. 3 (1996), pp. 813–838; Giuliano Maielli, “Explaining Organizational Paths through the Concept of Hegemony: Evidence from the Italian Car Industry,” *Organizational Studies*, Vol. 36, No. 4 (2015), pp. 491–511; and Giuseppe Berta, *La Fiat dopo la Fiat: Storia di una Crisi, 2000–2005* (Milan: Arnoldo Mondadori editore, 2006), pp. 4–5.

26. George Maxcy, *The Multinational Motor Industry* (London: Routledge, 1981), pp. 165–178; and James Laux, *The European Automobile Industry* (Farmington Hills, MI: Twayne, 1992), pp. 205–217. In 1987, Fiat Auto signed a contract with the Polish FSM to manufacture a small-engine car, the 500, exclusively in the Tychy plant in Poland. Fiat was the first car manufacturer to concentrate the production of a car for the European market in an East European country. Fiat’s acquisition of FSM followed in 1993. Giovanni Balcet and Aldo Enrietti, “Global and Regional Strategies in the European

monitored car production on the other side of the Iron Curtain, carefully noting that East European car firms lacked both coordination and overall organization as they moved with considerable skill and expertise among its uncertainties and internal rivalries.²⁷

In April 1966, the company's top management produced a document summarizing Fiat's activities in Yugoslavia and in the CMEA area. Fiat's understanding of the dynamics in the Eastern bloc was impressive, as was the clear strategy it developed to penetrate that difficult and increasingly competitive "market."²⁸ The 1966 management document highlighted the absence of coordination and the lack of an inclusive program for the production of automobiles in Communist countries.²⁹ At the same time, it emphasized the bitter struggle among Western car manufacturers that hoped they could quickly establish a dominant position in the area despite the considerable efforts required, which, according to the authors, were out of proportion with the results.³⁰ The document suggested that increased competition among Western producers would benefit Communist countries, which had the advantage of unity against Western division.³¹

With Fiat feeling surrounded, the strategy it devised consisted of developing many fronts, exploiting the *concordia discors* that governed economic relations in the area. Fiat seemed to be particularly aware of the national peculiarities concealed behind the apparent uniformity of planned economies, and it was prepared to open ad hoc negotiations with each country to deal with specific requests, sometimes conducting parallel negotiations with individual countries, unbeknownst to each other, in order to obtain the most profitable results. In April 1966, negotiations with Yugoslavia had already been finalized. In 1954 the first pact had been signed, for the production of the Fiat

Car Industry: The Case of Italian Direct Investment in Poland," *Journal of Transnational Management Development*, Vol. 3, Nos. 3–4 (1998), pp. 197–230; and Bolesław Domański and Yannik Lung, "Editorial: The Changing Face of the European Periphery in the Automotive Industry," *European Urban and Regional Studies*, Vol. 16 (January 2009), pp. 5–10.

27. Randall W. Stone, *Satellites and Commissars: Strategy and Conflict in the Politics of Soviet-Bloc Trade* (Princeton, NJ: Princeton University Press, 1996); Suvi Kansikas, *Socialist Countries Face the European Community: Soviet-Bloc Controversies on East-West Trade* (Frankfurt: Peter Lang Editions, 2014), pp. 58–91; and "Situazione attuale e prospettive della crescita economica dei paesi europei del Comecon," Fintesa report 1985, in ASF, F. Direzione Affari Internazionali (DAI), 113.

28. "Brevi note sui problemi in corso in alcuni paesi dell'area SEV e Jugoslavia," April 1966, in ASF, F. URSS, 34; and Riccardo Chivino, *La Fiat in Polonia, Jugoslavia e Russia nei ricordi di Riccardo Chivino* (Turin: Centro Storico Fiat, 2014), https://www.fcagroup.com/it-IT/group/history/Documents/Chivino_ita_WM.pdf.

29. "Brevi note sui problemi in corso in alcuni paesi dell'area SEV e Jugoslavia."

30. *Ibid.*

31. *Ibid.*

Campagnola and the assembly of the 1,400; in 1962 a new agreement had been stipulated, this time for the production of the 600 and the 1,300 in a newly built facility. The Yugoslavs intended to increase production and capacity in order to fend off foreign competition and gain a market presence in Communist countries, with a model produced outside the CMEA (Yugoslavia was not a member-state), under license, but with a “national face.”³² In 1965, Fiat signed a licensing agreement with Poland for the production in the Fabryka Samochodów Osobowych (FSO) of the model 125, with engines ranging from 1,300 to 1,500 cc. A second agreement was signed in 1971 for the model 126 to be produced in a new plant, the Fabryka Samochodów Małolitrażowych (FSM).³³

In both cases, Fiat’s competitors had rendered its position problematic; in Poland because of the intervention of the French government and industry and in Yugoslavia by competition that was “ready to do whatever was necessary in order to dislodge Fiat, not only from the Yugoslav market, but also from a position that has been and may continue to prove a positive step for Fiat in the CMEA area.”³⁴ Negotiations were also underway with Romania. Bulgaria demonstrated its “loyalty” to the Eastern bloc by resisting Fiat’s insistent advances on the people’s car front, showing more interest in tractors, forklifts, and spare parts.³⁵

Fiat’s strategy toward the USSR differed from that toward other Soviet-bloc countries, particularly in the 1960s and 1970s. Although market considerations seemed to orient Fiat management in its approach to Yugoslavia and Poland, any interaction between the Italian firm and the Soviet Union was deemed political, both in how it was “prepared” and in its possible outcomes. Differences of opinion were expressed not only over the executive body in charge of the negotiations but also over the content of the negotiations. Despite Valletta’s strong hold on Fiat managerial cohorts, the “Direzione Affari Internazionali,” led by Vittorio Chivino, dealt with Poland and Yugoslavia with a certain degree of autonomy. By contrast, Fiat’s president was at the head

32. Marko Miljković, “Western Technology in a Socialist Factory: The Formative Phase of the Yugoslav Automobile Industry, 1955–1962,” M.A. thesis, Central European University, Budapest, 2013 and Marko Miljković, “Making Automobiles in Yugoslavia: Fiat Technology in the Crvena Zastava Factory 1954–1962,” *Journal of Transport History*, Vol. 38, No. 1 (2017), pp. 20–36.

33. Mariusz Jastrzab, “Cars as Favors in People’s Poland,” in Siegelbaum, ed., *The Socialist Car*, pp. 30–46; and Mariusz Jastrzab, “Fiat’s Small Cars for Polish Mass Motorization: The Small Engine Car Factory in Bielsko-Biala and Tichy, 1971–1980,” *Journal of Transport History*, Vol. 38, No. 1 (2017), pp. 37–52.

34. “Brevi note sui problemi in corso in alcuni paesi dell’area SEV e Jugoslavia.” Yugoslavia was accepted as a CMEA observer in 1956, and from 1964 it had the status of associate member.

35. “Verbale rapporto URSS” (draft), 27 May 1966, in ASE, F. URSS, 34.

of all talks with Moscow, which were later coordinated by the “Direzione Af-fari Speciali.” In addition, although contracts with Poland and Yugoslavia were based on early requests by these governments for help in building automotive plants, in the technical-economic cooperation between Fiat and the USSR the automobile itself was not at first of great importance. The Fiat-Soviet contract emerged as a byproduct of the search for agreements on the supply of different Fiat products, such as diesel engines, power and agricultural equipment, and manufacturing machinery. This was partly because of how the Soviet Union intended to use the Western technology and partly because of Fiat’s uncertainty about such a powerful but possibly unwieldy commercial partner. East European governments saw cooperation with the West, particularly its motor industry, as a means of loosening the Soviet Union’s hold on them and of creating a national automobile industry, but officials in Moscow in the late 1950s were still hesitant about investing resources in the production of cars for individual use and, even more, about using Western technology to boost mass reliance on motor vehicles.³⁶

Fiat’s management was mindful of the difficulty of negotiations with countries with planned economies and was well aware that the Soviet “market” had its own rules. Fiat did not take for granted the reliability of its Soviet partner in commercial deals. In the Soviet Union, Fiat would not, in the 1960s or later, venture away from the safe ground of selling patents for production under license in order to gamble on closer forms of productive integration with a partner that did not inspire or deserve much trust.

Doing Business with the Enemy as Reflected in Fiat’s Strategic Narrative

The minutes from the Fiat board of directors’ meetings from 1960–1972 provide an overview of how the company was interpreting world politics and Fiat’s role in it. Concerning the USSR, Fiat management likened its actions to parallel diplomacy that could open up areas that politics and traditional

36. Siegelbaum, *Cars for Comrades*, pp. 84–85. On differences in approaches and times of mass motorization—the Soviet Union had at least a decade of delay in the motorization “drive” compared to East Germany and Czechoslovakia—see Luminita Gatejel, “The Common Heritage of the Socialist Car Culture,” in Siegelbaum, ed., *The Socialist Car*, pp. 143–156, esp. p. 146 (on Romania and East Germany); Valentina Fava, *The Socialist People’s Car: Automobiles, Shortages and Consent in the Czechoslovak Road to Mass Production (1918–1964)* (Amsterdam: Amsterdam University Press, 2014). See also Corinna Kuhr Korolev and Dirk Schlinkert, eds., *Towards Mobility: Varieties of Automobility in East and West* (Hanover: Volkswagen AG, 2009).

diplomacy could not. For the Fiat board, business, justified by its ends, became political mediation territory par excellence. This was probably because the company executives needed to make sense, in front of both management and public opinion, of a risky and innovative business strategy that would have exposed Fiat to heavy criticism both at home and abroad.³⁷ On the other hand, it reflected Valletta's belief that Fiat's interests coincided with national interests and that the company could do at least as well as a government body or a part of the state in representing them. As Franco Amatori argues, Valletta behaved as a sort of foreign minister in postwar Italy, especially when, in order "to realize his masterpiece—the Togliattigrad factory—he dealt eye to eye with both [Nikita] Khrushchev and [John F.] Kennedy."³⁸

Fiat board minutes reveal how management monitored the evolution of Cold War politics, almost in expectation of détente, for most of the 1960s. Concerns about the escalation of tensions between East and West (the Berlin Wall, the Cuban missile crisis, the Vietnam War) were counterbalanced by trust in Khrushchev's declarations about "peaceful coexistence" and his willingness to raise living standards and provide the Soviet population with consumer goods.³⁹

Fiat construed Moscow's pursuit of economic relations with Western countries as a demonstration of growing Soviet concern about the poor internal economic and social conditions of the USSR and its satellites. According to Fiat's management, the Soviet Union needed at least twenty years to recover from the damage caused by Stalinism, to fix the problems of the planned economy, and, last but not least, to redefine relations with CMEA member-states.⁴⁰

The aim of improving trade with the Eastern bloc was presented to Fiat shareholders and employees as being truly political. The aim, Fiat explained, was to demonstrate superior Western productivity and to give the Communist countries an opportunity to cooperate with the West instead of competing with it.⁴¹ In these early years, Fiat expected that progress in the European

37. "The concept of sensemaking . . . literally means the making of sense. Active agents construct sensible, sensible events. They 'structure the unknown.' How they construct what they construct, why, and with what effects are the central questions for people interested in sensemaking." Weick, *Sensemaking in Organizations*, p. 4.

38. Franco Amatori, "Fiat 1899–1999: Riflessioni sulla grande impresa in Italia," in *La storia d'impresa come storia*, p. 497; and Castagnoli, *La guerra fredda economica*, p. 92.

39. Administration Board Meeting, Verbatim Minutes, 29 January 1960, in ASF. The authors were emphasizing the "Apparent Cold War atmosphere but a tendency to obtain a long-lasting easing of tensions between East and West."

40. Administration Board Meeting, Verbatim Minutes, 30 July 1960, in ASF.

41. Administration Board Meeting, Verbatim Minutes, 29 July 1963, in ASF; and Administration Board Meeting, Verbatim Minutes, February 1964, in ASF.

Economic Community (EEC) would lead to increased cooperation between West European countries (or businesses), which would then move eastward together to fight Communism using “different weapons.”⁴²

In the Fiat documentation and in the contemporary press, collaboration between the Italian motor vehicle industry and the Soviet Union is portrayed as a consumer virus that had to be injected into the enemy. The Soviet economic system would not be able to deal with the organizational complexities involved in the mass production of consumer goods and personal cars. If Fiat provided the required technology, the foremost adversary of the West would have to invest in building gas stations, roads, and infrastructure and could no longer give as much emphasis to its military.

In fact, as Fiat learned while collaborating with the Soviet Union, mass motorization was not part of the Soviet plan in the early 1960s, and the Soviet idea of service and infrastructure was far removed from that of the Western company.⁴³ Furthermore, the personal car was not yet the Trojan horse of capitalism in the USSR, capable of spreading bourgeois values and promoting individualism to undermine the class struggle. On the contrary, the construction of the Volga plant—a large-scale technological project—and, even more so, the city of Tolyatti were intended by the Soviet Union as another way to generate consent and promote Marxist ideology and were, at first, actually used as such.⁴⁴

Fiat also presented its *Ostpolitik* to shareholders as a favor the company was doing the United States—that is, Fiat was building a bridge between East and West, one that could facilitate and accelerate the forthcoming steps of the U.S. administration.⁴⁵

42. Administration Board Meeting, Verbatim Minutes, 31 January 1961, in ASF; and Administration Board Meeting, Verbatim Minutes, 20 June 1961, in ASF.

43. Siegelbaum, *Cars for Comrades*, pp. 125–172, 230–251.

44. “[T]he building of Avtoograd had many of the ingredients of a Soviet construction novel,” Siegelbaum, *Cars for Comrades*, p. 98; and Lewis H. Siegelbaum, “Modernity Unbound: The New Soviet City of the Sixties,” in Anne E. Gorsuch and Diana P. Koenker, eds., *The Socialist Sixties: Crossing Borders in the Second World* (Bloomington: Indiana University Press, 2013), pp. 63–83. Russian documents show how important the organization of an official ceremony was to celebrate the beginning of the building of the town. “Direktivami XXIII s’ezda KPSS po pyatiletnemu planu razvitiya narodnogo khozyaistva SSSR na 1966–1970 gody predusmotreno znachitel’noe uvelichenie proizvodstva legkovykh avtomobilei,” 13 July 1967, in Rossiiskii Gosudarstvennyi Arkhiv Ekonomiki (RGAE), F. 398 (Ministry of Automobile Production), Opis’ (Op.) 1, Delo (D.) 1158, Llisty (Ll.) 233–234; and “Come si sviluppa una città,” translation of an article from *Pravda* (Moscow), 7 July 1971, provided to the author by Giovanni Amprimo (head of Fiat translation services, 1967–1972).

45. Bagnato, *Prove di Ostpolitik*, p. 18; and Alessandro Salacone, “Le relazioni italo-sovietiche nel decennio 1958–1968: Uno sguardo da Mosca,” *Storicamente*, Vol. 9, No. 5 (2013), p. 57.

The primary concerns of Fiat managers with this aspect of its policy, however, were understandably of a commercial nature. Fiat saw a threat in the growing presence of General Motors and Ford in Western Europe and felt a need to define its position in the Soviet Union before the two U.S. automobile giants were allowed to enter the Soviet market, something Fiat management considered imminent. In May 1962, according to the minutes of the Fiat board of directors, the United States had been in contact with the Soviet Union to reach an agreement as soon as possible, the main obstacles being West Germany and France.⁴⁶ By swiftly moving eastward, Fiat intended to gain a competitive advantage over its rivals.

Another theme that dominated discussions on the collaboration between Fiat and the USSR was Fiat's concern about intra-European competition.⁴⁷ Fiat management felt that East-West antagonism was changing from frontal assaults between two blocs to a struggle that was shaking every Western country from within. Fiat executives underscored the dangers and possibilities that would have been caused by a "shift" away from the policies of two antagonistic blocs toward Cold War policies based on an attempt to break apart the blocs by increasing bilateral economic relations.

At the board of directors' meeting of 30 January 1967, executives argued that the Western bloc should not have allowed intra-European economic competition to weaken the economies of each country. One of the most serious risks Fiat envisaged for the Western world was the growing "egoism" of Western governments.⁴⁸ Introducing motorization to countries on the other side of the Iron Curtain would be an excellent opportunity for European producers, but it carried huge risks. If the large European manufacturers decided to act autonomously and in competition with one another, they would hand the Soviet bloc an enormous advantage and play a part in destabilizing the precarious internal politics of the European Community. For this reason, Fiat headquarters eventually sought to create an institution on the model of the European Coal and Steel Community (ECSC) to regulate competition in the automotive industry. Although no such institution was ever formally established, a gentlemen's agreement might have existed between Fiat and Renault

46. Administration Board Meeting, Verbatim Minutes, 1962, in ASF.

47. Enrico Minola, "Note," Administration Board Meeting, Verbatim Minutes, 30 January 1967 and 29 July 1967, in ASF, Book 37.

48. Administration Board Meeting, Verbatim Minutes, 31 January 1961, in ASF; and Administration Board Meeting, Verbatim Minutes, 20 June 1961, in ASF.

to regulate the competition between the two main West European automobile manufacturers in the Eastern bloc.⁴⁹

“Is a Fat Russian a Harmless Russian?” Fiat between Washington and Moscow

Both Fiat and Moscow monitored U.S. reactions to their negotiations. Publications and archival records both from Fiat and from Russian archives suggest that the Soviet decision to turn to Fiat as a partner was largely determined by Fiat’s positive relationship with Washington. Since the 1930s, Fiat had maintained particularly close relations with the United States and U.S. presidential administrations, relatively independently of the Italian government’s positions and policies. This helped facilitate the transfer of U.S. automobile technology to Moscow, although not to the extent that Soviet leaders had hoped for.

Before, during, and after the negotiations with the Soviet Union, Valletta and Fiat’s representatives had numerous meetings with the U.S. authorities.⁵⁰ Valletta went to Washington, DC, in 1962 and 1965 to receive the blessing of the U.S. administration. The clearest statement of Fiat-U.S. relations (according to Fiat) is in the minutes of the company’s board meeting of August 1965:

Regarding the agreement with the USSR, it was considered appropriate to inform the U.S. authorities of the opportunities from a Western point of view. This was because the contract involves supporting the USSR’s laudable decision to develop large amounts of consumer goods in the interests of its people—this decision is also aimed at improving relations with the West. We then added, continuing along the lines of this decision, that as part of future automobile production plans the United States could also consider supplying specialized machinery and work vehicles to European factories. . . . Talks have taken place on these matters, particularly the former, at the highest levels of government,

49. Carlo Mangiarino, interview, Turin, 29 May 2009. Mangiarino was Fiat’s *capoprogetto* (project leader) in Togliatti. He was later a member of the board of directors of Ferrari S.p.A. and chairman of Comau.

50. William E. Knox Associates to Dean Rusk, Secretary of State, 26 October 1967, in U.S. National Archives and Records Administration (NARA), IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1965–66 and 1967. According to William E. Knox Associates, “Professor Valletta established a procedure of visiting the top Government officials in Washington from time to time. Dr. Agnelli wishes to continue this procedure. . . . He looks forward to reviewing with you political, economic and financial developments in Europe generally and specifically his company’s activities and plans including the Russian venture.” See Bairati, *Vittorio Valletta*, pp. 326–335; and Castronovo, *Fiat*, pp. 1109–1112.

notably with Admiral Raborn of the CIA, President Johnson's colleagues—Jack Valenti and McGeorge Bundy, Secretary of State Dean Rusk, Deputy Secretary of Defense Cyrus Vance, Secretary of Commerce John Connor—as well as with the Export-Import Bank. All these individuals have shown a thorough understanding of the opportunities offered by the agreement reached by Fiat. . . . They even admitted that there was a possibility of considering a future supply of machinery and work vehicles.⁵¹

Further evidence of these meetings and of the favor with which some members of the U.S. administration viewed the deal can be found in correspondence between U.S. diplomats in Italy, the Export-Import Bank of the United States (Ex-Im Bank), and the U.S. Department of State. In May 1966 the Italian delegation to the North Atlantic Treaty Organization (NATO) in Brussels sent to the U.S. delegation stating:

When negotiations between Fiat and the USSR were still at the initial stages, Mr Valletta made [its plans] known to some U.S. Government officials—particularly to Secretary of State Rusk—and these officials informed him that they fully assented to the operation, also confirming that there is no objection in principle to purchasing some of the machinery to be installed in the new plant from the U.S.⁵²

The aim of the note was to persuade the U.S. government to grant the Ex-Im Bank the necessary approval for a credit line to be extended to the Italian Industrial Credit Institute (Istituto Mobiliare Italiano—IMI) and indirectly to the USSR for the purchase of U.S. machinery, originally estimated at \$50 million.⁵³ This approval, after being granted by President Lyndon B. Johnson, was blocked by the U.S. Senate (the Mundt amendment).⁵⁴ But the debate that preceded and followed the prohibition on Ex-Im Bank credits in connection with the Fiat-Russian contract shows the U.S. administration's positive view of the deal itself. Furthermore, the same debate critically exposed the missed

51. Administration Board Meeting, Verbatim Minutes, 5 August 1965, in ASE, Book 36, pp. 3–4.

52. "Pro-memoria, 31/5/1966 Italian NATO Delegation Sent This Over to US delegation in Brussels after Secretary's Bilateral with Fanfani," signed by Frazier Draper, 21 June 1966, in NARA, IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1965–66 and 1967.

53. "Richiesta Finanziamento Export-Import Bank," 10 July 1967, in ASE, F. URSS, 46; and Filippo Sbrana, *Portare l'Italia nel mondo: L'IMI e il credito all'esportazione 1950–1991* (Bologna: il Mulino, 2006), pp. 217–237.

54. Melville Blake to Manuel Abrams, Esq., Counselor for Economic Affairs, U.S. Embassy, Rome, 25 August 1967, in NARA IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1967. See also "Comments by Cox, Langford and Brown to Report of the Subcommittee on International Trade of the House of Representatives Banking and Currency Committee," 3 March 1967, in ASE, F. URSS, 47; "Finanziamento Exim Bank al progetto Urss.," 26 July 1967, in ASE, F. URSS, 46; and "Bozza richiesta prestito Eximbank," July 1967, in ASE, F. URSS, 46.

opportunities for U.S. industry resulting from trade restrictions, which some in the U.S. administration already considered more harmful than useful. The Italian-Soviet agreement provided evidence that East-West trade restrictions were being sabotaged by European competitors and that this seriously damaged the interests of U.S. firms.⁵⁵

A congressional subcommittee on international trade made clear that the Fiat-Soviet deal was a consumer-oriented transaction and that no military or strategic goods were involved. However, in evaluating the possible consequences of the Mundt amendment, officials at the Department of State seemed more concerned about the possibility of U.S. businesses being excluded from the deal than about providing the USSR with strategic machinery.⁵⁶ The officials wrote,

If the Export-Import Bank is forbidden to extend credits, the export financing institution of some other country will make the loan. However, it would be tied to purchase in the other country. Although Fiat might prefer to buy from the United States, the need for supplier credits would force the firm to do business with whatever country would extend them. This contract will reportedly extend over a three-year period. Who can say what condition American business will be in two or three years? By then our producer-goods industries might be crying out for large export orders to sustain their production capacity and labor forces. We should take no action now that would put these orders beyond the reach of United States firms. We should be more precise in discussing this loan so that we can see what is involved and who stands to gain or lose. First the borrower: it is not the Soviet Government or any Russian agency. It is the Italian Credit Institute—IMI. The IMI is a sound financial institution. . . . The IMI will be financing an auto-plant sale by Fiat, one of the world's industrial powers. This sale is the largest in history. The fact that Fiat could conceive and arrange this transaction is, in itself, evidence of the business drive and initiative of this firm. . . . The IMI and Fiat have high credit standings. If the Export-Import Bank does

55. Jacqueline McGlade, "COCOM and the Containment of Western Trade and Relations," in Ojala and Eloranta, eds., *East-West Trade and the Cold War*, pp. 48–61; and Michael Mastanduno, *Economic Containment: CoCom and the Politics of East-West Trade* (Ithaca, NY: Cornell University Press, 1992).

56. Siegelbaum, *Cars for Comrades*, p. 92; *The Fiat-Soviet Auto Plant and Communist Economic Reforms: A Report Pursuant to House Resolution 1043, 89th Congress, 2nd Session for the Subcommittee for International Trade, Committee on Banking and Currency, House of Representatives, Washington, 1 March 1967* (Washington, DC: U.S. Government Printing Office, 1967), in ASF, F. URSS; Robert Gwynn, economic officer to U.S. Consulate in Turin, "Fiat's Management Reaction to Proposed Limitation on EXIM Bank Credits in Connection with Fiat Russian Deal," 13 September 1967, in NARA, IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1967; and Robert Gwynn, "Talking Points on Ex-Im Bank Bill, 14 September 1967, about House Committee Hearings on September 12–13," 26 August 1967, in NARA, IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1967. This was intended to be a paper prepared in connection with the Senate's consideration of Export-Import Bank legislation from the House Banking and Currency Committee.

not extend credit, the money will be obtained elsewhere. The Soviet Union will have its auto plant on schedule. The real loser will have been the United States. It will not only have lost a valuable export opportunity, but more importantly it will have been hurt in its relations with our good friend and NATO ally, Italy.⁵⁷

The U.S. government considered Italy a loyal ally and believed it was aware of the dangers of making strategic technology available to the Soviet Union. But loyalty and trustworthiness were not the only considerations. Other deals, some far more relevant, between Italy and the United States might be compromised by unfair measures. Melville Blake, an economic officer at the State Department's European Bureau, wrote,

Italy is a major NATO ally and it is working closely with U.S. in our current efforts to strengthen the alliance. Prime Minister Moro has consistently expressed understanding for our policy in Vietnam, despite the virulent campaign the Italian communists have been waging on this issue. Moreover, Italy is a very large market for U.S. exports. In the military field, Italy has to an important extent met its NATO forces and modernization requirements by purchasing from the U.S. and carrying out co-production programs with the U.S. U.S. military expenditure in Italy has consistently been more than offset by Italian purchases of military equipment from the U.S.⁵⁸

A different U.S. Department of State document made the case even more explicitly:

The Mundt amendment will have no impact on the Soviet decision to build automobile plants. It will have an impact on the United States relations with Italy; United States inability to cooperate with Italy in financing Italian purchases in the United States for this project can be represented within Italy as a defeat for the policy of close cooperation with the United States in economic and financial as well as political matters.⁵⁹

Lastly, officials claimed that Fiat should be supported because it was in the U.S. government's interest to encourage the development of a larger consumer market in the Soviet Union.⁶⁰

57. Draft of note, signed Melville Blake, to Frazer Dozier, 20 October 1966, in NARA, IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1965–66.

58. *Ibid.*

59. "Talking Points on Proposed East-West Trade Limitation in Export-Import Bank Legislation," 28 August 1967, in NARA IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal Italy 1967, p. 6. The document refers to both the Byrd and the Mundt amendments.

60. "Request for Appointment for Mr. Giovanni Agnelli; Action Memorandum," 10 October 1967 in NARA, IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1967. The author, Walter J. Stroesser, writes: "Mr. Agnelli may allude to the amendments to the bill on extension of the Exim

The Fiat auto sale is within the boundaries of NATO policy. It takes advantage of a conscious Soviet decision to grant the people of the Soviet Union a measure of the good life enjoyed in the West. Who can say what happy consequences will flow from that decision, as the Soviet people ever more insistently demand other consumer goods—and the facilities necessary for full enjoyment of these goods?⁶¹

After Ex-Im Bank credits for the deal were cut off, U.S. diplomats held talks with Fiat and IMI representatives to gauge the Italian reaction and the implications of the Senate's actions on U.S. orders. They noticed an "attitude of near indifference" to the Senate's veto and were afraid that Fiat might switch part or all of the purchase to other West European countries, where the necessary credits, as well as subsidiaries of U.S. machine tool manufacturers, were available.⁶² This is exactly what happened: as a consequence of the limitation of Ex-Im Bank credits, the total U.S. procurement decreased from \$50 million to \$18 million.⁶³

On the Soviet side, too, the close relationship between Fiat and U.S. authorities seems to have played an important role in bringing about the Italian corporation's partnership with the Communist government.⁶⁴ Throughout the negotiations with Fiat, Soviet officials never denied their interest in the U.S. machines used on the production line at the Mirafiori plant, which they considered highly impressive. The technical project handed over to the Soviet authorities in January 1966 was based on the Mirafiori plant, but new machinery and some organizational improvements would have provided the Volga factory with a higher degree of mechanization and automation.⁶⁵

Bank charter which would prohibit Exim Bank participation in financing an auto plant in the Soviet Union, but does not intend to discuss it in any detail. As it is in the United States interest to encourage development of a larger consumer market in the Soviet Union, in which Fiat is playing a major role, it would be desirable for you to meet Mr. Agnelli."

61. "Talking Points on Proposed East-West Trade Limitation in Export-Import Bank Legislation," pp. 5–6.

62. "Official Information from the Counselor for Economic Affairs of the American Embassy in Rome, Manuel Abrams Esquire to Melville Blake, Department of State," 7 September 1967, in NARA, IT 7-12, Vehicles and Equipment FIAT/U.S.S.R. Deal, Italy, 1965–66 and 1967.

63. Memorandum for Files, Robert F. Gwynn, U.S. Consulate, Turin, "Fiat's Management Reaction to Proposed Limitation on Exim Bank Credits in Connection with Fiat-Russian Deal," 13 September 1967, in NARA, IT 7-12, Vehicles and Equipment Fiat/USSR Deal, Italy, 1967.

64. Zhuravlev et al., *AutoVAZ*, pp. 26–46.

65. "Studio di massima per realizzare uno stabilimento plant per la produzione di una vettura di media grandezza nell'URSS," February 1966, in ASE, F. URSS, 29; and "Dichiarazione—Complesso produttivo" 13 May 1966, in ASE, F. URSS, 34; and "Verbali rapporto URSS," 21 May 1966, in ASE, F. URSS, 34.

Fiat documentation shows that Soviet representatives were extremely interested in resuming trade with the United States and were asking the Italians to reassure them that doing business with Fiat would simplify trade and technological relations with the United States. At the key meetings of 20 and 26 April 1966, Valletta explained in detail to Aleksei Tarasov, the Soviet minister of automotive production, the strategy he had been following since 1965 to convince Washington to allow U.S. firms to supply the Volga plant with the machinery that Soviet and Fiat experts would have proposed.⁶⁶

The question of the “origin” of the equipment kept emerging in the Fiat-Soviet negotiations. At the meeting of 26 April 1966, Tarasov made clear to Valletta that he regarded the matter as being of the utmost importance. He said that although Fiat had planned to buy 55 percent of the VAZ machinery in Italy, “when we visit Mirafiori we see that there is a lot of foreign stuff in most workshops. The reasons for this fact are not clear to us.”⁶⁷ Valletta immediately retreated, offering Tarasov a reduction in the percentage of machinery to be bought in Italy in favor of Soviet machinery. He then added that the \$30 million earmarked for U.S. equipment was intended to cover only the purchase of technology that was hardly needed to guarantee the expected efficiency of the plant, and he concluded by stating that the amount of resources for machinery purchased in the United States could still be increased.⁶⁸

That the Soviet government eagerly sought U.S. machinery is also partly confirmed in a July 1967 letter to President Johnson and the Department of State written by William Atwood, a U.S. consultant living in West Germany and a former Army officer. He wrote,

We are in receipt of a communication from Mr. Dzhermen Gvishiani, deputy chairman of the Soviet Committee for Science and Technology, expressing serious concern that the Italian group seems incapable of meeting their financial commitments for the USSR Fiat plant, even with the proposed U.S. Export-Import Bank assistance. Mr. Gvishiani has indicated a Soviet readiness to eliminate all precision grinding machinery and certain other machinery from the present Italian contract and a willingness and preference for negotiating these through more reliable financial sources, together with us and the separate U.S.

66. “Rapporto dell’incontro tra il ministro Tarasov e il professor Valletta, il 20 aprile 1966, ore 11–12.30”; and “Relazione della riunione tra il Ministro Tarasov e il Prof. Valletta, 26 aprile 1966,” in ASF, F. URSS, 38, 1966. For the Soviet interest in the place of origin of machinery and their fears about excessive supplies from Italy, see “Stenogramma: Zasedaniya Nauchno-tekhnicheskogo Soveta Ministerstva avtomobil’noi promyshlennosti SSSR,” in RGAE, F. 398, Op. 1, D. 607, Ll. 108–217.

67. “Relazione della riunione tra il Ministro Tarasov e il Prof. Valletta, 26 April 1966,” p. 3.

68. They were probably referring to machines for finishing operations. See *ibid.*, p. 4.

companies supplying the equipment. . . . Our inquiries into the world finance market have brought us into active discussions with several highly reliable foreign finance sources, which, as a group, are both capable and desirous of handling that portion of the U.S. participation reported to be beyond the capabilities of the Italians to finance. The availability of an alternative source of foreign finance might be important since it could ensure the participation of our American machine-tool industry in the Soviet automobile project. Eliminating the third country would permit the separate U.S. companies to negotiate the sale and delivery conditions directly with the USSR and would result in delivery of the U.S. furnished equipment at more attractive prices.⁶⁹

This letter was taken seriously by the U.S. administration—Atwood was checked by the Department of Commerce and U.S. intelligence agencies—but the answer was intentionally cold and discouraging. The U.S. administration seemed genuinely worried about the reaction of the Italian Foreign Office and was interested in “playing fair with the Italians” and telling them about this information.⁷⁰

The 1966 agreement raised serious concerns in the U.S. business community, as demonstrated by “To Russia without Love,” an article published in *Forbes* on 1 October 1966. The author bluntly described Fiat as a “middleman for the U.S. machine industry,” and he claimed (hyperbolically) that three-quarters of the machines to be installed by Fiat in the Soviet plant would be of U.S. origin, either bought directly in the United States or indirectly from subsidiaries of U.S. companies in Europe.⁷¹ The debates in the mass media over the deal were heated, and U.S. archival sources reveal that the Italian authorities—in particular, Foreign Minister Amintore Fanfani—were concerned with the possibility of anti-Italian and anti-Fiat feeling developing in the United States as a result of the publicity given to the deal with Moscow. Their concerns proved to be unfounded, however. The president of the Ex-Im Bank told him, “a very large percentage of the business community and the better press favored our doing the Fiat deal.”⁷²

With the VAZ deal, Fiat imported U.S. machinery into the USSR, supporting requests from U.S. companies to lift East-West trade restrictions on

69. William Atwood Associates to President Johnson and Secretary Rusk, 22 July 1967, in NARA, IT 7-12, Vehicles and Equipment Fiat/USSR Deal, Italy, 1967.

70. “Robert Beaudry to Mr Stroessel: Comments on proposed reply to Mr Attwood,” in NARA, IT 7-12, Vehicles and Equipment Fiat/USSR Deal, Italy, 1967.

71. “To Russia without Love,” *Forbes*, 1 October 1966, article deposited in ASF, F. URSS, Rassegna Stampa, and quoted in Siegelbaum, *Cars for Comrades*, p. 92.

72. Harold F. Linder, President, Export-Import Bank, to Walter Sauer, Vice-Chairman, Export-Import Bank, 28 August 1967, in NARA, IT 7-12, Vehicles and Equipment Fiat/USSR Deal, Italy, 1967.

non-strategic goods. In light of this, one may reasonably ask whether the enormous media coverage of the Volga plant was more of an ice-breaker than was the deal itself. The importance of the Fiat deal lay not only in its business value and impact on the Soviet automotive industry, which were quite modest at first, but also in its political and media-related repercussions, which were carefully monitored by all parties involved.⁷³ The Volga plant became the “event” (in part consciously designed by Fiat and the Soviet Union) that offered Western public opinion the reassuring image of a people’s car domesticating Soviet society. As such, it diverted attention from East-West commercial and technological deals that were much more problematic from a political point of view but were harder to turn down.⁷⁴

Fiat Diplomacy in the Soviet Union: Piero Savoretti and Novasider

In the absence of Valetta’s personal records and more direct information about Fiat’s decision-making process in the early 1960s, the insights of one insider must suffice to shed light on both the ideological and business environments from which the Fiat-Soviet deal originated. Like other companies, Fiat needed a facilitator to negotiate with the Soviet authorities. That person was Piero Savoretti, the founder of Novasider, who acted as Fiat’s agent in the Soviet Union for almost twenty years, from 1962 until the early 1980s. His personal ties with the Soviet bureaucratic élite and some of the most influential Italian industrialists meant he was a key player in Fiat’s undertakings in the USSR.⁷⁵ His ten-year-long correspondence with Agnelli and Fiat’s top management is preserved in the Fiat archives.⁷⁶ His memoirs and letters are an interesting, if somewhat biased and not entirely reliable, 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. The letters, however, also

73. See the copies of media coverage in ASF, F. URSS, Rassegna Stampa. On the “symbolic relevance” of what happened in Italy for U.S. foreign policies, see Del Pero, *L’Italia e gli Stati Uniti*, p. 305.

74. Livio Pesce, “I nostri affari con la Russia,” *Epoca*, 10 June 1962, pp. 30–33, in ASF, F. URSS, Rassegna Stampa; and “Valletta a Mosca: Un russo grasso e’ un russo inoffensivo?” *ABC*, 1965, in ASF, F. URSS, Rassegna Stampa.

75. For Savoretti’s relationship with the Italian Communist Party, see Giuseppe Averardi, *Le carte del PCI: Dai taccuini di Eugenio Reale la genesi di Tangentopoli* (Milan: Piero Lacaita Editore, 2000); and Valerio Riva, *Oro da Mosca: I finanziamenti sovietici al PCI dalla Rivoluzione di ottobre al crollo dell’URSS* (Milan: Mondadori, 1999).

76. Corrispondenza in entrata (1966–1981), in ASF, F. Giovanni Agnelli.

provide a glimpse into how this businessman and, to a certain extent, Fiat itself “rationalized” their roles in the Cold War.⁷⁷

Savoretti was born into a wealthy Turin family in 1921. As a young man he fought in the anti-fascist resistance, and after the war he joined the National Liberation Committee. He was a member of the Italian Communist Party from 1948 to 1956 and had been a member of the Turin section of the Italy-USSR Association (Associazione Italia-URSS). Politics was not, however, Savoretti’s main interest. He had been handling the sale of metallurgic products and the import of various industrial goods from the United States, West Germany, and Great Britain to Italy since 1948. In 1952 or 1953 he first made contact with Soviet trade representatives, and in 1954 he was invited to the USSR as a guest of the All-Union Society for Cultural Ties with Foreign Countries (VOKS)—a Soviet agency promoting cultural relations with foreign countries—signing the first agreements for the companies he represented. In 1955, Savoretti founded his own company, Novasider, based in Turin, which soon became the representative for such leading Italian companies as Pirelli, Olivetti, Chatillon, Sant’Eustacchio, and Fincantieri.⁷⁸ According to Savoretti, from 1955 to 1972, Novasider organized more than 70 visits by Italian industrial delegations to the USSR, which led to the sale of more than 56 plants.⁷⁹ The machine tool sector remained key for Novasider’s business, which in 1958 had been appointed an agent for Stankoimport to sell Soviet machinery on the Italian market (this agency was later transferred to Socomi).⁸⁰ From machine tools, Savoretti soon moved on to negotiating supplies of entire plants for the chemical, textile, and construction industries.

A turning point in Savoretti’s career and in Italian-Soviet relations was the “Exhibition of Machinery and Industrial Production by Italian Companies Represented by Novasider,” which took place in Moscow from 28 May to 12 June 1962. This led to an initial technical-scientific collaboration agreement between the State Committee for Science and Technology (GKNT) and Novasider in 1963, which was renewed in 1968 for a further five years and, according to Savoretti, was the first agreement of its kind with a Western company. Similar agreements were later signed with Chatillon, Pirelli, Olivetti,

77. “Nota autobiografica di Piero Savoretti” (mimeograph), n.d., in ASF, F. Ghidella, 1/4/3; and Piero Savoretti, *Quel giorno al Cremlino: L’epopea di un uomo che ha vissuto facendo ciò in cui credeva: Ed è un uomo felice* (Aosta: Edizioni internazionali, 2001).

78. “Nota autobiografica di Piero Savoretti,” pp. 20–30.

79. Bagnato, *Prove di Ostpolitik*, pp. 112, 131, 354.

80. Piero Savoretti to Direzione Affari Speciali Fiat, 25 January 1966, in ASF, F. URSS, 35. Socomi S.p.A. was born as an ad hoc company to facilitate, together with Novasider, the export of Soviet machinery and engineering goods distributed by the Soviet enterprise Stankoimport.

Rimoldi, Sant'Andrea, Innocenti, Morando, Giustina, Novarese, and Triulzi, and, finally, in 1965, with Fiat. These agreements eventually culminated in the signing of a technical-scientific collaboration agreement between the Soviet and Italian governments in Rome on 23 April 1966 and in the recognition of the legal status of Novasider by the Soviet authorities (i.e., official authorization to open an office in Moscow) and the creation of a joint committee on 15 July 1968.⁸¹

With his services, Savoretti was trying to “make up for lost time and lost ground by taking a joint qualified and specialized approach, compared to other competing European nations that had already established trade relations with USSR,” and to put pressure on the equally passive Italian institutions to act more boldly in promoting the trade and interests of Italian businesses in the Soviet Union. In many of his letters to Agnelli, Savoretti expressed strong dissatisfaction with the lack of support from the Italian government and also with the political world's inability to understand the needs of business. He recounted facing many political obstacles, from Finmeccanica's refusal to supply ships to the USSR to Alitalia's refusal to establish a direct flight to Moscow:

I have already spoken of the attitude of the Italian government in the 1950s and its apathy towards the concept of “peaceful collaboration.” I have also pointed out the fact that economic relations between Italy and the USSR developed thanks to the efforts of various industrialists (Fiat, Eni, Pirelli, Chatillon, and Olivetti), despite what was in practice complete inertia from the highest executive bodies in Rome, apathy that sometimes turned into open hostility.⁸²

A close look at Savoretti's writings reveals a deep antagonism toward the Italian authorities, for whose shortcomings Savoretti boasted about compensating. On the subject of the 1962 exhibition, for example, he noted:

realizing how important this private exhibition was becoming, on 18 May 1962 I sent a telegram to the government (the Foreign Minister Amintore Fanfani, and the Foreign Trade Minister, Luigi Preti), asking them to support the Exhibition and to send a high-level individual to represent the Italian government at the inauguration, but my request was not met.⁸³

As the international importance of the exhibition became clearer and there was confirmation of who the Soviet and Italian participants would be, the

81. Piero Savoretti to Giovanni Agnelli, 12 March 1967, in ASE, Fondo Giovanni Agnelli, corrispondenza in entrata. See also “Memo su Novasider S.p.A.,” signed by Piero Savoretti, attached to the letter to Cesare Romiti, the CEO of Fiat, 24 February 1982, in ASE, F. UTS.

82. “Nota autobiografica di Piero Savoretti,” pp. 36–37.

83. *Ibid.*, p. 22.

Foreign Trade Minister Luigi Preti (1962–1963) hurried to Moscow. By then, Savoretti had already invited, at his own expense, a ten-member delegation from the Italian parliament, headed by the president of the commission for industry and trade.⁸⁴

Another significant example of how Savoretti dealt with the Italian government occurred in 1968 when, after the Soviet-led military intervention in Czechoslovakia, the Italian government decided not to take part in the Exhibition of Italian Industry that was to be held in Moscow in September 1968.

In August 1968, a few weeks before the inauguration of the Exhibition, events took place in Czechoslovakia that would have far-reaching effects in the West and particularly in Italian governmental circles. For a short while there was uncertainty about whether to go ahead with the Exhibition or to cancel it. It was decided to proceed, thanks to the insistence of Ambassador Federico Sensi and the companies participating in the exhibition, but without the Italian Government representatives, the Ambassador, or the Moscow Embassy staff. I tried unsuccessfully to stop it, and decided that instead of an official reception, Novasider would host a reception at its own expense.⁸⁵

And so it was. Savoretti was convinced that concrete economic steps were a

challenge of great political importance . . . yet the opening of improved direct relations between the two countries' technical-economic and trade circles would have lightened the atmosphere. I therefore thought that any step in the direction of better reciprocal understanding would be positive for both sides. Also clear was the political role that the development of trade relations could have played in creating the conditions to allow ghosts of the cold and "hot" wars to be laid to rest and the foundations for peaceful coexistence to be laid between populations living in different social systems.⁸⁶

Savoretti apparently wanted to conform to the Soviet government's political line, which aimed to ease tensions, to reach a broad agreement with businesses, and, above all, to compel Italian officials to abandon their anti-Communist stance and their hostility toward the USSR, opting instead for a more neutral stance in international politics.⁸⁷ Savoretti's close ties with the Soviet bureaucracy, and particularly with Dzhermen Gvishiani (deputy chairman of the GKNT and son-in-law of the chairman of the Council of Ministers

84. *Ibid.*, p. 25.

85. *Ibid.*, p. 37.

86. *Ibid.*, p. 6.

87. Fabio Bettanin et al., *L'Italia vista dal Cremlino: Gli anni della distensione negli archivi del Comitato centrale del PCUS 1953–1970* (Rome: Viella, 2015).

of the USSR, Aleksei Kosygin), are well documented by Savoretti himself in his correspondence with Fiat.

Sojourns in Western hotels, chauffeur-driven cars, and gifts of watches and office furniture were all used in exchange for inside information on the various negotiations that were taking place between the Soviet Union and Fiat's competitors, as well as to obtain access to Kosygin. Savoretti even went so far as to boast to Fiat management (truthfully or not) that the amendments to the plan that permitted the construction of the Volga factory were a result of pressure he and Gvishiani had put on Kosygin:

Our friendship allows him to be my guest during his trips, freeing him from the obligation of accepting the hospitality of Soviet embassies or other local offers, which might in some way compromise him. Of course he knows about my business and professional affairs and therefore, whenever possible, our conversations center on potential deals for Novasider in the USSR. . . . As such, although he does not perceive my friendship as "self-interested," our discussions about concrete and general problems are always open. He passes on elements of our conversations to his father-in-law and refers his comments and opinions back to me. This is a way of keeping alive discussions between top managers and Communist leaders at official [rare] meetings. I must also report that according to Gvishiani this activity of ours compensates for a certain dearth of official or less official initiatives carried out by most of the other Western countries—as I have often pointed out.⁸⁸

Concerning his relationship with Gvishiani, Savoretti insisted that economic relations with companies from capitalist countries would strengthen the more reformist and open wings of the Soviet Communist Party over those that were more reactionary and hostile to the West. According to Savoretti, Gvishiani saw his duty as more political. He intended to use the "apolitical" network he had built up through his technical and scientific relations to create close links between the Soviet Communist Party's "liberals" and the Western scientific and industrial community. He wanted to make the elites of Western business, economics, and culture aware of the existence of a different way of thinking among a new Soviet elite, in order to obtain Western backing and help the new elite come to power quickly. Savoretti was convinced that sooner or later it would burst onto the scene, as had happened with Khrushchev after Iosif Stalin died and with the emergence of Alexander Dubček in Prague. Writing in December 1968, Savoretti remarked,

88. "Nota estremamente riservata" destinata alla Presidenza Fiat: Relazione sugli incontri di Vienna e Mosca dal 25 novembre al 15 dicembre del 1968," 18 December 1968, in ASE, F. Giovanni Agnelli, corrispondenza in entrata, 1968.

This Soviet “travail” has been simmering for many years now and, despite the size of this enormous country, it does not only involve the educated classes (technocrats, scientists, intellectuals), but also popular consciousness. It is an irreversible process, which instead of abating following the events in Czechoslovakia, is permeating every level of society. I believe that what has happened in Czechoslovakia, despite the best efforts of the Kremlin “Curia”—which currently holds political power—will happen in the USSR in the not too distant future. . . . Mr. Gvishiani, in my opinion, supports his father-in-law’s attempts to build links with the West. . . . I consider his friendship to be a privilege and I believe I can contribute to his “noble” cause, facilitating and sometimes directing the content of his meetings with the West. With this in mind, the Soviet deal will be increasingly appreciated for its positive political value. . . . Only the politics of facts can exert real pressure and only these can be realistically implemented.⁸⁹

The “Alliance of Italian Business Enterprises” on the Soviet Front

The political repercussions of the intensifying East-West trade relations should not obscure the fact that doing business with Moscow was complicated by the different commercial practices in the two blocs. Western companies’ success in negotiating with the USSR depended both on the political will to provide credit to the Soviet Union and, above all, on the companies’ ability to offer diversified deals and meet the different needs of the Soviet economy. Behind Savoretti’s commitment was a well-elaborated business strategy. He believed that large and small companies should act collectively, presenting themselves as an “alliance of Italian business enterprises” that could meet the needs and demands of the Soviet market and create “the conditions for joint collaboration between companies that could provide end-to-end technological solutions.”⁹⁰

The success of Italian companies in the USSR in the early 1960s was a result of their ability to coordinate negotiations with the Soviet authorities in such a way as to win orders. Scholars of management have exhaustively documented the benefits that accrue to companies that use collaborative arrangements to manage market imperfections in late-industrializing

89. Piero Savoretti to Giovanni Agnelli, “Relazione della mia permanenza a Parigi assieme al signor Gvishiani del 27 novembre 1967,” 28 November 1967, in ASF, F. Giovanni Agnelli, corrispondenza in entrata, 1967.

90. Piero Savoretti to Giovanni Agnelli, “Note sull’attività economico commerciale con l’URSS, Settembre 1972,” 1 October 1972, in ASF, F. Giovanni Agnelli, corrispondenza in entrata, 1972.

countries.⁹¹ In the early 1960s, the Soviet market was exceedingly risky for companies that had to manage, on the one hand, the centralized and bureaucratic system of a planned economy, and, on the other hand, the informal rules that governed it and the arbitrary nature of political power.⁹² In this context, various companies, with no ownership ties and only limited production in related sectors, effectively acted, with the support of banks and (partially) the Italian authorities, as a business group, jointly negotiating on the Soviet “market” to gain the competitive advantage not guaranteed by the hesitant and fluctuating trade policies of alternating Italian governments. The possibility of linking one offering to another and providing a broad range of products to be exchanged—from food to machinery to chemicals and turnkey plants—offered companies a solid basis for negotiations. In this way, transaction (and mediation) costs were reduced and the problem of absorbing the low-quality Soviet manufactured goods that the Soviet government expected to barter was shared.

The agreement between Fiat and the USSR thus appears as the pinnacle of a broad-based pyramid of economic and technological relations that had been progressively consolidating between Italy and the USSR since Stalin’s death.⁹³ Italian-Soviet economic relations became increasingly intense from 1958 through the early 1970s. At the end of 1957, a multiyear bilateral agreement, ratified in 1962, was concluded between the USSR and Italy, and in 1961 the first important contract was concluded between an Italian company, ENI, and the Soviet foreign-trade company Techmashimport for the supply of all the equipment required for a plant producing methane gas and ammonia. In exchange, ENI signed a contract with another Soviet foreign-trade corporation, Soyuzneftexport, for the supply of 800 metric tons of oil (beyond the twelve metric tons already purchased in 1960).⁹⁴ This paved the way (although in some cases negotiations were already taking place) for the initiatives of Pirelli (molded rubber), Fiat (turbines for gas pipelines, marine engines, tractors), Montecatini (chemical plants), SNIA Viscosa (rayon), Olivetti

91. Asli Colpan and Takashi Hikino, “Foundations of Business Groups: Towards an Integrated Framework,” in Asli M. Colpan, Takashi Hikino, and James R. Lincoln, eds., *The Oxford Handbook of Business Groups* (New York: Oxford University Press, 2010), pp. 15–97.

92. Alena V. Ledeneva, *Russia’s Economy of Favours: Blat, Networking and Informal Exchange* (Cambridge, UK: Cambridge University Press, 1998), p. 47; and Janos Kornai, *The Socialist System: The Political Economy of Socialism* (Princeton NJ: Princeton University Press, 1992).

93. Bagnato, *Prove di Ostpolitik*, esp. p. 348; and “Sviluppo del commercio estero tra Italia e URSS dal 1948–1960,” in *Novasider Notizie, circolare informativa sul mercato sovietico*, Year 1 (July–August 1961), in ASF, F. URSS, 27.

94. Pozzi, *Dai gatti selvaggi*, pp. 335–428.

(typewriters and calculators), Innocenti (large-diameter pipes for gas pipelines), Ansaldo (oil tankers and turbo cisterns), Finsider (pipes and metalworking), and Snamprogetti (equipment for oil pipelines, plants). New companies (e.g., Socomi, Medeximport, IMEX, Società Finanziaria Italo-Sovietica) were set up, often partly owned by Fiat, ENI, and other major Italian corporations, to manage import-export transactions with the USSR and to provide end-to-end plans for factories (e.g., Commissint, controlled by Fiat).⁹⁵

Accurately reconstructing how the Italian-Soviet business agreements of the 1960s were linked and coordinated (or even demonstrating that they were in fact linked and coordinated) is difficult using available primary and secondary sources. Fiat's archival records, however, do provide interesting insights into the top management's awareness of the importance of joint action for the attainment of the company's goals, as well as the use Fiat made of this interdependence and its political meaning in negotiating with the Soviet Union.⁹⁶

The final exchange of views in talks between Valletta and Tarasov makes clear how the two leaders interpreted the meaning of the Fiat deal. Valletta reminded Tarasov that it was not simply an agreement between the two sides but a rapprochement between the USSR and Italy. He promised that his personal intervention with the Italian government would allow negotiations to be completed with the USSR for large deliveries to Italy. One of these large orders was being arranged with Fanfani and other members of the government: it involved a contract with the USSR to provide natural gas to Italy (the agreement between ENI and the Soviet Union was signed only in 1969). According to Valletta, this was worth much more than any prior agreements signed for the purchase of the equipment for the VAZ. The two men closed their meeting with the following exchange:

[Valletta]: I admire your work.

[Tarasov]: What you are doing not only benefits Fiat; it also benefits Italian-Soviet relations, so we appreciate your efforts.

95. For evidence of the joint effort of the main Italian groups Eni and Fiat—coordinated by Savoretti and banking institutions, particularly Mediobanca, to create special agencies to enhance Soviet-Italian trade—see “Report Written by Savoretti on the Mission to Moscow of Dr. Pugliese and Dr. Berna from ‘Commissionaria Internazionale,’” 17 June 1967, in ASF, Fondo Giovanni Agnelli, Corrispondenza in entrata, 1967; “Visita di Minola a Mosca 12–19 novembre come presidente della Commissionaria internazionale and Relazione viaggio a Mosca del 27/10/1968,” 8 November 1968, in ASF, Fondo URSS, 48.

96. “Rapporto con la Ditta Olivetti informativo delle trattative Olivetti con Russia,” in ASF, F. URSS, 35. Letters from Nicola Gioia to Eraldo Fidanza, CEO of Finmeccanica, and Leopoldo Medugno, IRI, concerning Aleksei Kosygin's report to the Soviet Council of Ministers in September 1965, all in ASF, F. URSS, 35. These provide evidence of the joint effort that the most important Italian engineering groups were making to monitor Soviet reforms and openings.

[Valletta]: I'm only doing my duty, as everybody should do for the sake of peace and friendship between nations.⁹⁷

The fine line between corporate jargon and the language of Cold War ideology in these negotiations is difficult to trace, but among the reasons for Italian interest and success in the USSR is the particular way Valletta and Mattei, the president of ENI, interpreted the modernizing role of “their” company and identified business interests with state interests.⁹⁸ The later decline of this strategy lies perhaps in the fact that this vision died with them and their generation.

In the Fiat records of the Soviet deal, names of individuals (Aurelio Peccei, Vittorio Valletta, Enrico Mattei, Guido Carli, and Enrico Cuccia) and companies recur (Olivetti, Pirelli, Fiat, Eni, Finmeccanica), which strongly suggests that the origins of the economic *Ostpolitik* of the early 1960s are to be found in the shared ideals and experiences of Italian managers and entrepreneurs who lived through the postwar reconstruction of Italian industry and shared strong technocratic aspirations.⁹⁹ As the business historian Franco Amatori persuasively argues, this was a golden age for Italian business, both private and public: businesses were pulling out all the stops, taking risks, and overcoming the political capitalism in which relations with the state were *do ut des* (I give that you might give). They aimed at becoming political players not only in Italy but also in international relations, and they were relaunching the role of Italy abroad.¹⁰⁰

Ten years later, these ideals were fading as the Italian economy ran into problems. In the 1970s, the “alliance of Italian business enterprises” ceased to exist, and existing tensions, which had been kept at bay for the common good of the firms, escalated. The cooperation between companies that had characterized the alliance was superseded by strong competition

97. “Resoconti degli incontri del 21–26 aprile 1966,” April 1966, in ASF, F. URSS, 34; and “Rapporto dell’incontro tra il Ministro Tarasov e il prof. Valletta il 20 aprile 1966,” April 1966, in ASF, F. URSS, 38.

98. Amatori, *La storia d’impresa come professione*, pp. 415–489; and Adriana Castagnoli, “L’esperienza internazionale di Aurelio Peccei e il suo paradigma manageriale: la responsabilità sociale dell’impresa,” in Adriana Castagnoli, ed., *Fra etica, economia e ambiente: Aurelio Peccei: Un protagonista del Novecento* (Turin: Seb27, 2009), pp. 32–34.

99. Berta, *L’Italia delle fabbriche*, pp. 174–179; Bigazzi, “Mass Production or ‘Organized Craftmanship?’” pp. 269–297; Duccio Bigazzi, *Modelli e pratiche organizzative nell’industrializzazione italiana*, in Franco Amatori et al., eds., *Storia d’Italia*, Vol. 15, *L’industria* (Turin: Einaudi, 1999), pp. 900–994; Fabio Lavista, *La stagione della programmazione: Grandi imprese e Stato dal dopoguerra agli anni Settanta* (Bologna: il Mulino, 2010), pp. 18–19; and Johan W. Schot and Wolfram Kaiser, *Writing the Rules of Europe: Experts, Cartels and International Organizations* (London: Palgrave Macmillan, 2015).

100. Fiat technical experts simultaneously admired and disdained U.S. industry.

among state-owned and private businesses for access to export credits and government support, all of which took place in the years when the Soviet market was more open than ever before.

From VAZ to Comau: The Red Thread of Fiat Activities in the USSR

Common threads run through Fiat's activities in the USSR, including, on the one hand, the Soviet government's interest in anything Fiat could offer—automobiles, diesel and marine engines, machine tools, bulldozers, and, later, textiles and chemicals—and, on the other hand, Fiat's interest in a market that offered business opportunities beyond the company's core business. Technical documentation suggests that, in a relatively long-term perspective, the Tolyatti deal was more useful to reinforce Fiat's secondary production—mainly its machine-tool suppliers—than its automobile division.¹⁰¹ In fact, the Fiat-Soviet partnership in car manufacturing ended with the Volga plant, but this did not stop the flow of machinery to the Soviet Union by suppliers or manufacturing companies controlled and owned by Fiat.

The first contacts between Fiat and Soviet experts took place in the second half of the 1950s, after the Soviet Five-Year Plan made industrial automation a priority, and in close connection with the automation efforts of the Soviet industry.¹⁰² Every year from 1955 onward, delegations of Soviet technicians visited Fiat's Turin headquarters and Fiat plants. These delegations consisted of factory technicians and managers, as well as officials from various ministries.¹⁰³

In the same years, Italian technicians also began visiting Soviet plants. The first delegations sent to the USSR, in 1957, consisted mainly of machinery production experts and Fiat Grandi Motori representatives.¹⁰⁴ The visits

101. Comito, *La Fiat tra crisi e ristrutturazione*, p. 60; and "Quaderni" Archivio Storico, *Fiat: Le fasi della crescita: Tempi e cifre dello sviluppo aziendale* (Turin: Sciptorium, 1996).

102. According to Hanson's data, the majority of the machinery imported from the West from 1960 to 1980 went to the chemical and motor vehicle industries. Phil Hanson, "The Soviet Union's Acquisition of Western Technology after Stalin: Some Thoughts on People and Connections," in Sarasmo and Miklossy, eds., *Reassessing Cold War Europe*, pp. 18–22.

103. Missions of Soviet delegations to Italian factories took place in April 1955, December 1955, April 1956, October 1957, November 1958, June 1959, and October 1960, in ASE, F. URSS, *Visite di Viaggi*; and, in particular, "Visita missione tecnica sovietica alla Fiat," 27 May–3 June 1959, in ASE, Fondo personale Giacosa, 66/185.

104. "Visita Stabilimenti in Russia, Fiat Grandi Motori," 26 July 1957, in ASE, F. URSS, *Visite di Viaggio*.

concentrated on the machine-tool factories and the Central Research Institute of Machine Building (TsNIIMash). At TsNIIMash, a sort of “machine-tool embassy” responsible for coordinating the internal distribution of machinery among Soviet factories. The technicians saw state-of-the-art machinery that they were keen to use in a potential “bartering of industrial goods.”¹⁰⁵ Their objective was to acquire substantial orders for Italian machinery, taking advantage of keen Soviet interest in automation. The Italian experts were disappointed, however, for it quickly became clear that the Soviet production authorities had no power to make decisions about purchases of machinery. All orders were made by the foreign-trade company, Stankoimport, which was in charge of exporting machine tools.¹⁰⁶

Overall, reports from visits to Soviet plants highlight extreme disparities in quality among the production lines and departments visited. Some of the factories the Italians toured seemed pre-Fordist and pre-Taylorist in their work and factory organization and machinery used. In other instances the Italians saw production lines equipped with up-to-date or even experimental technology—a disparity they believed was the result of changes that were underway and modernization that had begun but had not yet been achieved. The Italians believed the USSR’s latest Five-Year Plan, which focused entirely on the automation of production processes, would bring considerable technological and organizational improvements.¹⁰⁷

The excessive faith placed in the future achievements of the plan led Italian technicians to overestimate both Soviet technical capabilities and the efficacy of the plan, creating many problems for Fiat during the construction of the Volga factory. Given that the Soviet Union was planning to build about 1,000 new industrial complexes per year from 1959 to 1965, this was a huge opportunity for Italian engineering. In 1960, Dante Giacosa (1905–1996), who was the designer of many popular Fiats, including the 124, the Topolino, and the 500, and was also the head of Fiat’s Technical Automobile Division (Direzione Superiore Tecnica Autoveicoli), went to the Soviet Union for the first time and visited several plants and the Soviet Institute for Automotive Research (NAMI).¹⁰⁸

105. *Ibid.*

106. “Visita in Russia di costruttori italiani di macchine utensili e tessili, invitati dal ministero sovietico dell’industria leggera (Novasider),” July 1957, in ASE, F. URSS, *Visite di Viaggio*.

107. “Visita in Russia and Viaggio a Mosca, Leningrado e Minsk,” 17 October–3 November 1959, in ASE, F. URSS, *Visite di Viaggio*.

108. “Viaggio in Russia,” 8–22 October 1960, in ASE, F. URSS, 34.

Other missions, such as the Italconsult mission in 1961—in which Fiat participated—were organized to test the ground for possible Italian-Soviet collaboration in third countries, especially through the newly founded Società Generale Impianti.¹⁰⁹ For the Italian technicians, the Italconsult mission made clear the Soviet Union's lack of real interest in underdeveloped countries and the USSR's need, or wish, to acquire the latest plants and machinery from the West for their own plants.¹¹⁰

From 1962, following the exhibition organized by Savoretti and the subsequent meeting between Khrushchev and Valletta, Italian and Soviet technicians began work on a Fiat consultancy project to modernize the Zavod Im. Likhachova (ZIL), a plant manufacturing tractors and trucks.¹¹¹ According to Vittorio Chivino, the head of international affairs (Direzione Affari Internazionali) at Fiat, the visits to ZIL laid the groundwork for the Fiat-Soviet deal, even if they did not result in a contract with Fiat because Fiat lacked the know-how to manufacture a tractor of the dimensions required.¹¹² In the same years, together with a constant trade flow in machine tools, Fiat signed agreements to provide the Soviet Union with marine engines (in 1961, 1965, and 1967), gas turbines (in 1966), and technical consultancy for the organization of storage units (in 1965).¹¹³

Not until 1965 did Soviet interest openly shift toward what Fiat could offer in the area of car manufacturing. The protocol on technical and scientific collaboration in the automobile sector was signed on 1 July 1965, and Giacosa went to Moscow, this time with a more clearly defined task.¹¹⁴ On

109. The company was founded by IMI and Italconsult to coordinate and integrate the planning of specialized industrial complexes, later serving as the “main contractor” in their construction by project-managing the works, coordinating supplies and plants (preferably constructed in Italy), and providing technical assistance during setup and follow-up assistance in the initial start-up phase of the industrial complex. See “Missione Italconsult in URSS,” 10–24 November 1961, in ASF, F. URSS, 27; and “Missione siderurgica italiana ‘ASSIDER’ nell’Unione Sovietica. Relazione di viaggio,” 27 August–9 September 1960, in ASF, F. URSS, Visite di viaggi.

110. “Missione Italconsult in URSS,” 10–24 November 1961, in ASF, fond URSS, 27.

111. “Collaborazione tecnica tra lo stabilimento automobilistico ZIL e la Fiat, Visita di Borodin,” July 1965, in ASF, F. URSS, 36; “Visita allo stabilimento ZIL,” 11 September 1965, in ASF, F. URSS, 36; and “O komandirovke v Italiyu direktora Moskovskogo avtozavoda im. I. A. Likhacheva tov. Borodina P. D. i glavnogo tekhnologa zavoda tov. Stepashkina S. M. na avtomobil’nye predpriiatiya kontserna ‘Fiat’ s 22-go noyabrya po 6-e dekabrya 1965 goda,” December 1965, in RGAE, F. 398, Op. 1, D. 93.

112. Chivino, *La Fiat in Polonia, Jugoslavia e Russia*, p. 72.

113. “Nota autobiografica di Piero Savoretti.”

114. “Accordo Delegazione Sovietica Fiat, comunicato 3.5.66 e telespresso Ambasciata d’Italia a Mosca al Ministero degli Affari esteri, Dichiarazione delle autorità sovietiche riguardo l’approvazione del governo dell’URSS del Protocollo di Torino del 3 maggio,” May 1966, in ASF, F. URSS, 35; and Dante Giacosa, “Note sul Viaggio in Russia,” 8–14 September 1965, in ASF, F. URSS, 34.

4 May 1966, despite continuing competition from Renault and opposition from some of Fiat's top management, the agreement was signed; it was then ratified in August.¹¹⁵

After Valletta's death in 1967, Fiat's business began a long process of transformation that ended with the creation of the Fiat S.p.A. holding company in 1979. In concert with these changes, the group's strategy toward the USSR became more decentralized.¹¹⁶ During and after the construction of the Volga plant, Savoretti assisted Fiat in other negotiations. Most of them began with a Soviet request to Fiat to act as general contractor but ended with orders for machinery and products to companies controlled by the group, such as Fiat ALLIS, resulting from Fiat's acquisition of Allis Chalmers, based in the United States, which produced bulldozers and heavy equipment; IVECO, specializing in trucks and truck engines; Ufficio Tecnico Studi (UTS), a provider of engineering services; and Consorzio Macchine Utensili (Comau), a consortium created by the machine tools manufacturers that supplied Fiat.¹¹⁷ These were the main actors in the Fiat Group's negotiations in the 1970s and 1980s. UTS and Comau, set up in 1972 and 1976, were spinoffs of the Volga factory experience and were set up to make business and negotiations with the USSR easier and more flexible, and in the awareness that success in the Soviet market depended on the ability to deal with multiple business fronts at the same time. No matter how important these activities were for the group's equilibrium, Savoretti viewed them as failures caused by the new management's shortsighted

115. "Collaborazione Fiat-URSS: Problemi esaminati a Mosca, 9–21 dicembre 1965," from Savoretti to Vittorio Valletta, December 1965, in ASE, F. URSS, 35; and "Nota 770/65," from Savoretti to Dzhermen Gvishiani, 13 December 1965, in ASE, F. URSS, 35. Gvishiani, in a meeting on 9 December, alerted Savoretti to an important mission from Renault in which the French experts had presented Soviet officials with proposals for an automobile plant to be built in the USSR. Although Gvishiani said that nothing had changed in the Soviet government's attitude toward Fiat, he asked for a note from Savoretti about the possible consequences of rumors about the deal with Fiat. This would have allowed him to make an official statement about Fiat-Soviet cooperation. In this circumstance, too, Savoretti stressed that the deal with Fiat was not a "mere" business deal like the others and that the Soviet Union should not treat it as such. One of the other deals he had in mind was the push for ENI pipelines.

116. Comito, *La Fiat tra crisi e ristrutturazione*, pp. 60–73; and A. Mosconi, "Fiat 1968–1977 gli anni del cambiamento," in Antonio Mosconi and Enzo Rullani, eds., *Il Gruppo nello sviluppo dell'impresa industriale: Con un'analisi del caso Fiat* (Milan: Isedi, 1978).

117. This was the case, for example, of KamAZ (Kama Automobile Factory), a truck plant completed in 1976. In 1969, Fiat was contacted by the Soviet government about the possibility of building a giant greenfield truck plant in Naberezhnye Chelny. Ford had declined to take it over, so the Soviet Union turned to Fiat, which entered the negotiations. A few months later, Fiat renounced the deal because of financial constraints and technical disagreements. See Esther Meier, "On the Streets of a Truck-Building City: Naberezhnye Chelny in the Brezhnev Era," in Siegelbaum, ed., *The Socialist Car*, pp. 105–123.

approach to Soviet affairs as well as by its inability to elicit support and credits from the Italian political authorities.

By the end of the 1970s, the “golden age” of Italian industry was over, and 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.

“The Russians Are Maddening!” The Hidden Background of a Success Story

After collaborating on the Volga plant, Fiat ceased to consider the USSR an attractive partner in the automobile industry and sought to resume the role of general contractor in the USSR. Financial constraints and increased competition by German, French, Japanese, and U.S. multinationals played an important role in this shift, as did the change in the business priorities of the Fiat Group’s top management.¹¹⁸

But Italian-Soviet collaboration in Tolyatti was also undermined by numerous disputes that weakened Fiat’s trust in its partner, preventing the Italian company from engaging in the Soviet Union as a general contractor for a second time.¹¹⁹ The first disputes between experts were over the choice of technology and products best suited to the climatic, road, and construction conditions in the USSR. The disagreements not only divided Italians and Soviet personnel but also crossed operational lines: between technicians on the one hand and executives on the other. The need to build the Volga plant from scratch and do so quickly (from 1966 to 1969) made it impossible to

118. Plans for the productive decentralization of Fiat took shape from 1970 to 1972 and were carried out and reinforced in subsequent years. Fiat built factories in Cassino, Termoli, Lecce, Sulmona, San Salvo, and Termoli Imerese (where Fiat already had a plant). Domenico Cesosimo, “Da Torino a Melfi: Ragioni e percorsi della meridionalizzazione Fiat,” in “Melfi,” special issue, *Meridiana: Rivista di scienze sociali*, Vol. 21 (1994), pp. 49–50.

119. For a first impression of a “clash” of approaches, see “Sopralluogo in URSS. 22/28 settembre 1966; delegazione Fiat: Ing. Morello, Fulcheri, Ravelli, cav. Lana,” September 1966, in ASF, F. URSS, 29. Difficulties are also reported in “Memorandum of Conversation,” Gaudenzio Bono, managing director and general manager of Fiat, and Givon Parsons, U.S. consul general, 22 June 1967, in NARA, IT 7-12, Vehicles and Equipment Fiat/USSR Deal, Italy, 1967. The U.S. consul was asking about the reasons for the delay in starting the Volga plant. The VAZ was expected to begin production by 1969, but in June 1967 it was already clear that the 1969 target could not be met. According to Bono, “the endless negotiations that are required for something that could be settled between Italians and Americans or Germans in one brief session had been extremely frustrating for everybody on the Fiat side. The Russians’ repetitious arguments are maddening” (p. 2).

implement optimal technical solutions and meant that experts were forced to adopt experimental solutions at the managerial and organizational levels.¹²⁰

The first bone of contention was the model of car. Soviet officials and Giacosa preferred a front-wheel-drive car like the Autobianchi Primula to the traditional rear-wheel drive of the 124. Valletta and his process designers had imposed the 124 (which was already in production at Mirafiori) on the Fiat product designers for practical and commercial reasons—the 124 had begun rolling off the Mirafiori assembly line shortly before the agreement was signed.¹²¹ A similar disagreement also appears in Soviet documents: whereas the Italian technicians seemed to have preferred the solutions used in the modernization plan for the Soviet Moskvich auto company and the use of local technology, Tarasov and Viktor Polyakov (1915–2004), the first general director of VAZ (and, later, minister for automobile production), were decidedly more inclined to reach an agreement with Turin.¹²² Even though these initial negotiations troubled Fiat, it ultimately accepted significant changes to the engine and the bodywork.¹²³

Major difficulties emerged in 1968 when the building sites were opened, revealing the dark side of bureaucratic coordination of the Communist political economy. Some of the initial problems were related to construction, for which the Soviet Union was responsible. At the start of 1968 Fiat reported delays of at least six months and serious deficiencies in the organization of the building sites, the availability of skilled workers, and the finishing work.¹²⁴

The delay in construction led to a freeze on deliveries of European and U.S. machinery, which could not be stored in Tolyatti because of the absence of suitable buildings. Problems later emerged in hooking up the machines and in delivering machinery from CMEA suppliers, which were struggling to adopt entirely new solutions. Fiat admitted to having underestimated the

120. “Ministerstvo avtomobil’noi promyshlennosti: Upravlenie vneshnikh snoshenii, eksportnykh i importnykh postavok Otchet glavnogo konstruktora MZMA o poezdke v Turin 1966 god,” April–May 1966, in RGAE, F. 398, Op. 1, D. 649; and “Prilozhenie n1 k General’nomu soglasheniiu. Tekhnicheskoe zadanie Ministerstva avtomobil’noi promyshlennosti SSSR na avtomobil n. 1,” in RGAE, F. 398, Op. 1, D. 649, Ll. 50–69. See also Dante Giacosa, *Il mestiere di progettista: Antologia degli scritti* (Turin: Archivio Storico Fiat, 2000).

121. Dante Giacosa, *I miei primi quarant’anni di progettazione alla Fiat* (Milan: Automobilia 1979), p. 253.

122. Vladimir Berezyn, *Poliakov* (Moscow: Molodaia Gvardia, 2007), pp. 118–124.

123. “Prima analisi su problemi inerenti la collaborazione automobilistica con l’URSS, 4/4/1965,” in ASE, F. URSS, Visite di Viaggi; and “Argomenti del colloquio con l’ing. Gvishiani, 9/9/1965,” in ASE, F. URSS, Visite di Viaggi.

124. “VAZ: Rendiconto sulle visite in URSS agli istituti progettativi e al cantiere dall’11 al 22/9/1967,” September 1967, in ASE, F. URSS, 51; and “VAZ, stato avanzamento lavori. Verbale del 30.09.1968 e 15.12.1968,” in ASE, F. URSS, 51.

problem.¹²⁵ Aside from the practical difficulties, Fiat also worried about the Soviet authorities' inclination to blame the Italian company for the delays. Soviet officials accused it of not providing project data and executive plans on time and of providing incomplete documents.

At the same time, Fiat's plant construction division claimed as early as 1968 that it had accepted assignments "that went beyond contractual commitments, in order to help with the executive implementation for which the Soviets were exclusively responsible."¹²⁶ In order to avoid delays in starting up the plant, the Fiat management in Tolyatti continually urged headquarters in Turin to forward the credit materials and parts that Avtopromimport (Soviet Enterprise Foreign Trade Association) should have had supplied. The Italians were losing hope of ever being reimbursed or compensated for what had been provided.¹²⁷

The great wave of strikes and labor conflicts in Italy that began in May and autumn 1969 lasted for almost a decade, with its epicenter in the factories and industrial centers of northern Italy, including Turin. The strikes, coupled with the harsh Soviet winter of 1969, put the collaboration severely to the test, and the Soviet authorities threatened to impose penalties for Fiat's delays in delivery.¹²⁸ Eventually, a compromise was found. But copious records from 1969 to 1970 show how Fiat was incurring serious losses. In 1969, it became clear that the plant would not be operational until 1971. Fiat and Soviet officials therefore decided to start production in successive stages and to import from Italy the parts or groups that could not be produced for the first 35,000 cars.¹²⁹ This solution, however, posed problems for Fiat because the earlier Soviet-led modifications meant that the VAZ cars were not entirely compatible with Fiat's output. Fiat would have had to reduce production of its own series-produced cars in Turin to make the necessary parts for the automobiles being built in the Soviet factory.¹³⁰

125. "VAZ stato avanzamento lavori 1968," 15 July 1968, in ASF, F. URSS, 51.

126. *Ibid.*

127. "Direzione controllo budgettario: Nota per la direzione generale," 16 January, 1970, in ASF, F. URSS, 52.

128. "Nota per la direzione generale," 17 May 1970, in ASF, F. URSS, 52; Bakhtov to Bono, "Ritardi nella consegna di documentazione tecnologica esecutiva," 5 June 1970, in ASF, F. URSS, 52; and "Lettera di Avtopromimport, denuncia di ritardi Fiat e clausola di penalità," 17 May 1960, in ASF, F. URSS, 50.

129. "Lettera al presidente Bakhtov, rappresentanza commerciale dell'URSS in Italia," 14 November 1969, in ASF, F. URSS, 52.

130. "Verbale rapporto URSS," 1 September 1969, in ASF, F. URSS, 52.

On top of all this there were problems in Tolyatti with the lodgings for Italian workers, whose numbers had grown from 150 technicians and workers in 1968 to 1,000 by February 1969. Soviet workers' expectations of food, washrooms, accommodations, and recreation were vastly different from those of Italian workers. Fiat management feared that the difficult living and working conditions in Tolyatti would become "the subject of a negative press campaign" and make the recruitment of workers and technicians in Italy even harder.¹³¹ A further worry for Fiat's management was the "lengthy and irrecoverable" delay in 1970 in the organization of service facilities for the new cars. Fiat feared negative consequences for the company's prestige both in the USSR and elsewhere.¹³² This fear of the press, and of the exposure of the problems in the Italian-Soviet project, surfaces repeatedly in Fiat and Soviet records and was at times the main reason for costly and difficult decisions.

Conclusions

The opening of the "Fond URSS" in the Fiat archives after many years of being closed to scholars helps us to understand the role of the "deal of the century" in Fiat business and marketing strategy and sheds additional light on the ambitions and motives that spurred Fiat, under Valletta's strong direction, to take a position in Cold War policy as a relatively independent actor.

The available documents demonstrate the importance of Valletta's and Mattei's intuition that success in business negotiations with the Soviet Union depended on the ability to offer not only a turnkey plant but a series of interdependent "turnkey deals": having independent companies working together as if they were a single business group. This strategy allowed a few well-known Italian companies to be at the forefront of East-West trade in the early 1960s. In the following decade, however, changes in the leadership of these companies, together with the crisis of the Italian economy, jeopardized their ability to defend their position from competitors strongly supported by their own governments.

In Fiat's strategy toward the uncertain and challenging Soviet market, car production represented more of a bridgehead than an ultimate objective. By the end of the 1950s, Fiat management considered the USSR a potential

131. "Problemi VAZ Novasider, Lettera di Poliakov a Savoretti," November 1968, in ASE, F. URSS, 52.

132. "Considerazioni di sintesi sulla visita dello stabilimento automobilistico del Volga: Resoconto della visita di Gaudenzio Bono a Togliatti," June 1970, in ASE, F. URSS, 52.

market outlet for activities that were only partly related to the automobile; for instance, the production of Fiat Grandi Motori, Fiat Ferroviaria, and some of Fiat's equipment and components suppliers, which, after ten years of growth, were facing falling demand on the domestic market. Even in the 1970s, after the construction of VAZ, Fiat exploited its competitive advantage in the USSR to prepare the ground for agreements in other production areas that appeared more promising than car manufacturing and more strategically important for the new group, Fiat S.p.A.

Lastly, Fiat's technical documentation shows that, for all the company's grandiose plans, building the Volga plant was an arduous and costly enterprise. The contradictions of a planned economy and the underlying moderate Soviet interest in mass motorization and individual car ownership soon emerged. A lack of machinery, delays in supply, and exorbitant penalties risked turning the "deal of the century" into a "Russian campaign," and Fiat incurred substantial additional costs. Nevertheless, a common interest led the machinery of propaganda and marketing to create and cultivate a triumphalist view of the challenging Italian-Soviet partnership.

Whereas political debate on East-West trade restrictions was as heated as ever, the image of Ivan, the ordinary Soviet citizen, driving the youngest sibling of Fiat's Topolino provided Western public opinion with a reassuring image of West-East trade and technology transfer.¹³³

Acknowledgments

The author thanks Centro Storico Fiat, especially Maurizio Torchio, for permission to consult the Fiat Historical Archives. She also thanks the Helsinki Collegium for Advanced Studies and the Centre of Excellence "Choices of Russian Modernization" at the Aleksanteri Institute of the University of Helsinki for funding this research in 2009–2015.

133. The "Topolino," "little mouse" in Italian and symbol of the debut of Italian mass motorization, was a 500-cc, designed by Giacosa and produced by Fiat from 1936 to 1955.