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Globalization and the Cold War: The Communist dimension

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Abstract

In this article I argue that one of the today's key management issues, globalization, evolved differently during the cold war in the Communist world than it did in the capitalist world. Stalin and Mao Zedong tried to create a World Socialist Market. This was ultimately doomed to fail because of the resilience of Western and Asian capitalism and the rivalry between the two axis of the communist worlds, Moscow and Beijing. Stalin's and Mao's heirs attempted to come to terms with global markets via competition and integration. In the end, the dream of a World Socialist Market crumbled due to its lack of unity and its inability to compete with those markets. In addition, communist management with its emphasis on central planning was considerably different than western management and only after the end of the war did the former communist bloc countries adopt similar management practices to the West.

Key words • Cold War • Communism • Europe • globalization • United States

Introduction

One of the most important management issues today is globalization. To understand globalization today it is helpful to consider where we have come from. The Cold War, was a critical time in the history of modern globalization. In human history we have witnessed three critical eras of globalization, the first, 'Known World' globalization in the times of the Roman Empire, European led in the 15th and 16th century and finally, since World War II (Moore and Lewis 2009). It is on this third and current era that I will focus this article. It has been 60 years since the end of World War II and the imposition of the Iron Curtain, which signaled the beginning of the Cold War. Most scholars denote the end of the Cold War with the bringing down of the Berlin Wall in 1989. Thus of the approximately 60 years of this third and current phase of globalization more than two-thirds took place against the backdrop of the cold war. I believe it is crucial to understand the impact of this critical time in recent history to better understand where globalization, the global economy and MNEs and their management practices are today. The process of globalization and changes in management practices of the West during the last 50 years are well documented, this article will primarily focus on the globalization within the Communist Bloc, and their management practices during this period.

The Communist Road to Globalization

Globalization played an important role in the theories of Lenin, and their later revision by Stalin. Marx believed that capitalism would be spread around the world by the western powers. Lenin, though, used global capitalism and the rise of multinationals as an explanation as to why the proletarian revolution predicted by Marx never took place in Western Europe. Capitalism, said Lenin, had become monopolistic, multinational, and global. By exploiting the markets and raw materials from the non-western world, the great monopolies were able to finance welfare states that postponed the crisis of capitalism (Kennan 1961). It is helpful to remember that Lenin formulated his view of Imperialism at a time when Imperial Russia had been an integral part of a genuine global economy dominated by British investment. France and Germany had invested heavily in Russia, and Britain and the Netherlands took a strong interest in Russia's Caucasian oilfields. British freestanding companies proliferated in North America and Argentina; Japanese *zaibatsu* began to invest in China (Moore and Lewis 2000).

The period leading up to the Cold War, 1914–1945 was a traumatic one for the global economy. The old British-dominated world economy never fully recovered from World War I. Britain was forced to liquidate many of her global investments. The gold standard was weakened, and Russia and China entered a time of revolution and civil war. Lenin hoped that his seizure of power in Russia in 1917 would be a spark that would trigger Communist revolutions in other European countries. Then, a world state could be created. It would constitute nothing less than a global Marxist economy, this was the received communist view of globalization. By its very internationalist nature Marxism-Leninism in its theoretical form implied a global economy. Nationalism was seen as a 'bourgeois' idea, as were trade barriers. There would no doubt be a worldwide dictatorship of the proletariat and global economic production. Wars were caused by capitalism, and once one eliminated capitalism, one would eliminate the cause of wars and of borders (Goodman 1961; Moore and Lewis 2000).

Lenin's global utopia failed to materialize when the 1919 and 1920 revolutions in Berlin, Munich, Budapest, and northern Italy were crushed. Communism barely survived in Russia itself, which became the Union of Soviet Socialist Republics in 1921. The Ukraine, Byelorussia, and a number of Islamic states became part of the new Red state, and Outer Mongolia also embraced Marxism-Leninism. The rest of the world did not. Lenin had preached the inevitability of war between the Communist world and capitalism. By this juncture the Soviet Union stood encircled by hostile capitalist states. There were two options: support world revolution now, or strengthen the Soviet revolutionary base in support of world revolution in the future. The first option having failed, both Lenin and Joseph Stalin, his successor, were forced to make accommodations with a global economy that was still essentially capitalist in nature. Lenin liberalized markets and signed the Rapallo Treaty with Germany in October 1922. Stalin renewed this trade pact and began the forced industrialization of Soviet society with his Five-Year Plans. While the Soviet Union was generally thought of as having abandoned the global economy, Stalin's government still traded the produce of collectivization for capital goods to further industrialize the Communist state (Kennan 1961).

During World War II the global economy of that day collapsed into global war. Both Nazi Germany and Imperial Japan attempted their own fascist versions of regional economic integration in the forms of the New Order and the Greater East Asia Co-Prosperity Sphere. The defeat of the Axis in 1945 left a severely disrupted global economy in the hands of two superpowers. The USA, led by Franklin D. Roosevelt and his successor, Harry S. Truman envisioned a Wilsonian world of free trade, open markets, and arbitration through the United Nations, a liberal vision of the world foreshadowing that of Bill Clinton in the 1990s. Truman offered to include Eastern Europe, including the USSR, in the aid offered through the Marshall Plan. Such an offer amounted to the potential creation of a well-integrated global economy in the 1940s. This vision of capitalist globalization was totally unacceptable to Stalin, who then hastened to consolidate his control over the eastern half of Europe (Kennan 1961; Reynolds 2000).

Phase one: Stalinism's two world markets: 1947–1953

By 1947, Stalin ruled a vast ideological empire in which other Marxist Peoples' Democracies in Eastern Europe and the Far East, including China, after 1949, now followed his leadership. Stalin organized what came to be known as the Communist Bloc partly in response to the perceived threat of an American-dominated global capitalist economy. Stalin's main goal was, as much as possible, to divorce the Communist world from that economy. By 1950, he had propounded the doctrine of Two World Markets. This doctrine was enunciated by Politburo member Georgi Malenkov in an address at the Nineteenth Party Congress on October 5 1952: 'As comrade Stalin has pointed out, the united comprehensive world market has disintegrated and formed two parallel world markets: the market of countries of the peaceful democratic camp, and the market of the countries of the aggressive camp' (Gu 1983, 62). Stalin and Malenkov marked the disintegration of the global market as the most important economic consequence of World War II. The capitalist and socialist global markets were now evolving, they said, in two separate directions, with the capitalist destined for crisis, and the socialist for stable, integrated economic growth (Gu 1983).

Stalin set forth his vision of the two global economies in great detail in his 1952 treatise *Economic Problems of Socialism in the USSR*. He argued that the disintegration of the global economy in the Great Depression and World War II was a symptom of the crisis of international capitalism. Stalin saw the war as a struggle for markets between American capitalism and its German and Japanese rivals. While the United States won, it could not prevent the consolidation of a powerful socialist camp and world market extending from East Germany to China. The Marshall Plan, far from strangling this camp, aided its consolidation (Stalin 1972).

Stalin's vision of globalization was embodied in the Council of Mutual Economic Assistance, or COMECON. Poland, Czechoslovakia, Hungary, Romania, and Bulgaria became founding members, besides the Soviet Union, with Albania and East Germany joining shortly thereafter. (Mongolia, Cuba, and Vietnam would join much later). Tito's Yugoslavia became an associate member. COMECON also accepted the cooperation and/or observer participation of Finland in Europe, Iraq, Afghanistan, and South Yemen in the Middle East, Angola, Ethiopia and Mozambique in Africa, Mexico and Nicaragua in Latin America, and Laos in Asia. The Peoples' Republic of China never joined, even in the years of relative Mao-Stalin harmony (Zickel 1989). The organization entertained global pretensions. Stalin believed it would promote the full independence and industrialization of the socialist camp while the global capitalist economy would shrink. On paper, the Soviet Union dominated the resources (90%), population (70%), and national income (65%) of COMECON. COMECON was an *international* organization, such as the European Free Trade Association, not a *supranational* one such as the European Economic Community. In spite of Stalinist authoritarianism, any Communist government had the right to opt out of a given COMECON program, and nations such as Romania often did. China, moreover, was never to become a member, only an observer and informal participant (Stalin 1972; Zickel 1989).

COMECON'S structure resembled a Red version of the European Community's post-1974 European Council. An unofficial conference of party and government heads met regularly, but the leading formal body was called the Council Session. COMECON also boasted a Secretariat and other committees and commissions not unlike the United Nations. The four most important committees handled planning, science, material supply, and machinery. The first of these strove to coordinate the economic plans of the members. It could not, though, legislate those plans. This was a far cry from the world state envisioned by Marxist theorists. Under Stalin, COMECON operated as nothing less than an economic lever of Greater Russian domination. The organization possessed little formal structure and lacked even regular sessions. The USSR traded with the other members on a bilateral state agency basis. Much of this trade lay in the area of reparations. Poland, Hungary, Czechoslovakia, East Germany, Romania, and Bulgaria exercised little in the way of independent action. Stalin sought to redirect the trade of *Mitteleuropa*, designed to flow west, to flow east (Zickel 1989).

Stalin, however, did not view the capitalist world as a unified monolithic camp. He predicted that wars among the capitalist regions, the USA, Western Europe, and Japan were inevitable before the final victor made war upon the socialist camp. The other capitalist countries would not long tolerate American hegemony. Stalin believed that there was no guarantee 'that Germany and Japan will not rise to their feet again … attempt to break out of American bondage, and live their own independent lives … ' (Stalin 1972, 72). It still followed, though, 'that the inevitability of wars between capitalist countries remains in force' (Stalin 1972, 472).

Communist economic integration proceeded apace during the Stalinist phase of the Cold War. The nations of Eastern Europe and the Peoples' Republic of China defied historic market forces in the name of the world socialist market and the socialist international division of labour. Stalin expected the new Communist countries to each specialize. So long as he lived the experiment appeared to be working. Soviet trade with the other COMECON regimes expanded 600 percent between 1946 and 1953, from US$777m to US$4773m. A full 83 percent of Soviet trade was within this bloc; the other 17 percent remained with the capitalist world. Communist propagandists heralded this as the triumph of a world socialist economy (Pisar 1970).

The Peoples' Republic of China owed its industrial takeoff to COMECON. Underdeveloped by comparison with the West to begin with, China's growth was further retarded by decades of civil war first between the Kuomindang Nationalists and the warlords, then between the Kuomindang and the Japanese, and finally between the Kuomindang and the Communists, who occupied the mainland and erected the Peoples' Republic in 1949. Stalin entertained great misgivings about the Maoist interpretation of Marxism-Leninism and inwardly feared the presence of a large and powerful Communist regime he could not control. In spite of these doubts the Kremlin provided Beijing with large amounts of economic and technical aid throughout the 1950s. China began to develop an industrial sector planned and organized by Five-Year Plans on the Soviet model. The economy grew impressively during the early and middle 1950s. China's Gross Domestic Product grew from 75.5bn yuan to 127bn between 1952 and 1959. During that time the share of industry rose from one-third to one-half of China's Net Domestic Product. Factory production increased by one-fifth; electricity and coal production grew by one-fifth; and, metal and steel production by one-third per year until 1957 (Eckstein 1966).

During these formative years of the People's Republic, China strongly integrated itself into the COMECON system. China, however, never formally joined COMECON, but maintained observer status in the years before the Sino-Soviet dispute. Mao visted Moscow in February 1950 and signed a series of trade treaties with the Soviet Union. Beijing received a US$300m credit. Five USSR-China joint stock companies were created to manage railways, shipyards, petroleum, air transport and mining. The first two were made with Mao even before the Communist takeover, and all five were fully taken over by China by 1955. In April 1950, Moscow and Beijing signed a trade agreement, followed by bilateral agreements with the other COMECON countries between 1950 and 1954. Communist economic integration did not envision a single free-trade market in the way that capitalist integration did. Trade was carried out bilaterally between governments, not multilaterally among persons. The 'global' aspect of Communist economic integration depended greatly Chinese participation. Without it, the COMECON system became merely an Eastern European regional grouping. Stalin's successors, notably Nikita Khrushchev, found Chinese behaviour in the economic sphere as unpredictable as in the political. Nationalist sentiments and interpretations of Marxism would soon begin to undermine the myth of Communist globalism once Stalin was buried (Eckstein 1966).

Phase two: Khrushchev's doctrine of peaceful competition: 1955–1964

Following Stalin's death in March 1953, a collective leadership ruled the Soviet Union in which Nikita Khrushchev assumed the rank of First Secretary. The world in the aftermath of Stalin's death began to change. Both the USA and the Soviet Union developed hydrogen bombs and the intercontinental jet bombers capable of striking each other's home country. Mutual annihilation became possible. The capitalist economies, far from undergoing the crisis Stalin predicted, prospered as never before and in Europe, moved towards further integration in the form of the European Coal and Steel Community. East Germans in 1953, and Poles and Hungarians in 1956 sought or throw off completely the COMECON system. China, meanwhile, began to seek a leadership role of her own in the Non-Western world witnessed by her sending of representatives to the nonaligned Bandung Conference in 1955. Khrushchev, who remained an idealistic and utopian Marxist-Leninist, began to revise both Stalin's doctrine and strategy. At the Twentieth Party Congress in January 1956, he enunciated a new strategy of world revolution. Nuclear weapons were capable of obliterating socialism as well as imperialism. Consequently, both general war and even local Korea-style wars were too dangerous to contemplate. World revolution would have to proceed through peaceful coexistence. Peaceful coexistence, a temporary tactic used by Lenin and Stalin was now elevated to a strategy by Nikita Khrushchev. A Leninist at heart, Khrushchev still envisioned the extension of revolution in Asia, Africa, and Latin America, combined with the unraveling of the American alliance system as preconditions for the triumph of Communism in the capitalist world. He now sought to do this, however, not through armed struggle, but through the further extension of a socialist global economy.

Khrushchev retained Stalin's belief in the Two World Markets. He now sought, however, to expand the socialist one through trade and peaceful competition (Heller and Nekrich 1986). This concept, passed on and modified by Brezhnev, was later enunciated by the Soviet writer G.M. Prokhonov: 'Trade and other forms of economic and scientific cooperation in relations between socialist and capitalist countries are a specific form of the struggle of the two world systems in conditions of peaceful coexistence' (Gu 1983, 62).

Soviet aid and trade with the nonaligned world, miniscule under Stalin, grew tenfold under Khrushchev from 200m rubles in 1955 to almost 1.7bn by 1965. The Soviet Union sent large quantities of COMECON machinery and equipment too shoddy to sell in western markets but acceptable in barter transactions in exchange for Third World commodities During the 1955–1964 Khrushchev Era the Soviet Union supplied US$4.3bn in military and US$2.6bn in economic aid to the nonaligned world (see Table 1).

India received generous aid due to her strategic position and influence. The Soviet Union sought to foster the growth of a command economy dependent upon

Table 1 Soviet Expenditures in Non-communist Third World under Khrushchev: 1955–1964 in US Dollars (Gu 1983, 72–73)

	Military Total: 4.3bn	Economic Total: 2.6bn
Mideast	1.4bn	1.2bn
South Asia	1.7bn	180m
Africa	735m	33m
East Asia	404m	1.1bn
Latin America	30m	nil

Moscow's aid. If a country such as India could become 40 percent socialist, it might eventually join or affiliate with COMECON. At the Twenty-First Party Congress in 1961, Khrushchev termed states such as Nasser's Egypt, Baathist Iraq, and Nkrumah's Ghana to be Countries of National Democracy. Some of these, particularly in Africa, might pass directly to Communism as they emulated the Soviet model. Khrushchev invested heavily in megaprojects such as Egypt's Aswan Dam and Indian steel plants, hoping to foster a dependency that would integrate them into the world socialist market. Antiwestern sentiments in Africa, the Indian subcontinent and the Arab world nevertheless were not sufficient to fully align nations such as Egypt, Algeria, Iraq, Ghana, India, and Mali with the Soviet Union (Gu 1983).

In the meantime, fissures were beginning to open in the Socialist World Market. Unrest in Eastern Europe and the magnetic pull of the new European Economic community persuaded Khrushchev to revamp the structure of COMECON. Reparations to the Soviet Union were waved and Soviet-owned state firms in Eastern Europe turned over to local bureaucrats. The Warsaw Pact alliance was created in 1955 and COMECON embarked upon plans to coordinate investment strategies electricity, railroads, and river transport. Oil pipelines were to be laid between Eastern Europe and the Soviet Union. From 1949 until 1960, the Soviet Union enjoyed a trade surplus with its COMECON partners, but in the later years of the Khrushchev Era, the surplus turned to a deficit (Lavigne 135; Zickel 1989).

The greatest rift in the World Socialist Market began to open when Mao Zedong began to reject Soviet hegemony. Mao interpreted Communist doctrine very differently from Khrushchev. He resented the latter's repudiation of Stalin and reasserted the inevitability of warfare with capitalist countries. He insisted Khrushchev use the new prestige of his strategic rocket power to help China recover Quemoy. Matsu, and eventually Taiwan. When Khrushchev refused and ended military and technical aid to China, Mao concluded that China needed to plot her own course and become a revolutionary power in her own right. Mao's attempt to vastly accelerate China's industrial growth through the Great Leap Forward of 1958 and 1959, failed dismally. In response, China was forced to turn to the capitalist economy even before Russia did, importing Canadian and Australian wheat (Reynolds 2000).

Phase three: The Brezhnev Era: One global market, two systems: 1964–1981

Khrushchev's foreign policy gambles and radical agricultural experiments led to his ouster in 1964. He was replaced as government head by Alexei Kosygin and First (Later, General) Secretary by Leonid Brezhnev. By 1970 Brezhnev, supported by the Soviet military, overshadowed Kosygin. The development of global capitalism in the 1960s and the 1970s further affected Communist theory and practice. American multinationals spread around the globe and jet travel and telecommunications integrated the non-communist world. Europe and Japan emerged as economic powerhouses. While the USA battled in vain to prevent North Vietnam, supported energetically by the new Soviet regime, from taking Indochina, not only Japan but South Korea, Taiwan, Singapore, and Hong Kong pointed the way to the ultimate triumph of Asian capitalism. The Sino-Soviet rift became a chasm, with open border clashes between Moscow and Beijing in 1969. Economic and political necessity persuaded Brezhnev and his Politburo colleagues to abandon Stalin's doctrine of Two World Markets. *Pravda* of March 22, 1973 grasped the impending reality of the coming global economy of the 1980s and 1990s. Repudiating Stalinist autarchy, Pravda recognized that Soviet Communism would now 'develop under conditions of growing universal cooperation with the outside world, and therewith not only with socialist countries, but also in significant degree with states of an opposing social system' (Gu 1983, 84).

Soviet theoreticians now spoke of a single world economy with two subsystems, a socialist and a capitalist, both of which were, whether they liked it or not, interdependent. At the 25th Party Congress in 1976, Brezhnev spoke of the necessity for an international division of labour, admitting what Adam Smith argued two centuries before, that no one country or even group of countries could compete in everything. Globalization was, slowly, inexorably, seeping into even the citadels of Marxism (Gu 1983).

Though he admitted the existence of an embryonic global economy, Leonid Brezhnev remained a believer in Communist ideology, though he pushed Khrushchev's utopian vision far into the indefinite future. The Soviet and other COMECON economies were now encountering major problems. Agriculture remained the weak foundation of a powerful military empire. The Soviet Union was now overtaking the USA in nuclear throw-weight and developing a vast blue-water navy, but could not feed itself or meet the needs of its consumers. Ironically, China's further retreat into the excesses of Maoism and its aftermath would push the Soviet leadership further towards globalization. When Richard Nixon announced his impending visit to China in the summer of 1971, Moscow, fearful of encirclement responded with an upgraded version of the coexistence policy known as *détente* (Heller and Nekrich 1986).

Brezhnev recognized that the Communist world could neither survive in isolation from capitalism, as Stalin desired, nor could it compete economically, as Khrushchev hoped. Rather, it would seek to use the emerging global economy to its own

Table 2 Soviet Expenditures in Non-communist Third World under Brezhnev: 1965–1974 in US Dollars (Gu 1983, 74)

	Military Total: 16.4bn	Economic Total: 5.6bn
Mideast	10.8bn	2.2bn
South Asia	2.1bn	2.1bn
Africa	3.5bn	403m
East Asia	nil	3m
Latin America	nil	781m

advantage, trading with the West under the cover of *détente* while it strengthened its own military and strategic position. The rise of OPEC in the mid-1970s and the retreat of American foreign policy in the aftermath of Vietnam and Watergate offered Brezhnev great opportunities. As world oil prices soared, the Soviet Union found itself in possession of an economic weapon of great potential. The Soviet Union now had a chance to reap windfall profits and increase European dependency upon its oil. Under Brezhnev, COMECON countries were to pool their resources in developing Soviet oil while the Eastern European states specialized in less energy-intensive work. There were also problems for ongoing COMECON integration. Soviet oil prices for exports to Poland and other COMECON countries were lower than the world level, but higher than Eastern Europeans were used to paying. Moscow had to choose between subsidizing COMECON or earning more by exporting Soviet oil to Western Europe. Soviet export prices to COMECON were around 31–38 rubles per ton but rose to 116–130 by 1982. The world price in 1982 was 180. When oil prices soared again in 1979, the Kremlin's potential windfall increased (Lavigne 1983).

Two parallel developments took place during the 1970s. First, the Soviet Union became increasingly integrated into the world economy. Soviet exports of oil and other energy rose from one-sixth to one-half of total exports. Moscow imported large amounts of Middle Eastern Oil, but then resold much of its own oil to the West. By the late 1970s three-quarters of Soviet foreign trade was in convertible currency and 40 percent was in hard currencies. Foreign aid and trade became highly selective under the very militaristic Brezhnev regime.

Those regimes that afforded Soviet strategists such as Admiral Sergei Gorshkov the greatest strategic advantage received the greatest attention. India, Iran, Iraq, and other Middle Eastern and South Asian states headed the list (see Table 3).

During the late 1970s to some observers it appeared that Brezhnev was winning the Cold War. Soviet propagandists spoke of the correlation of world forces moving in the direction of socialism. The Soviet Strategic Rocket Forces now outclassed those of the United States and Soviet armadas shadowed the US fleet in the Pacific, Indian Ocean, and Mediterranean. Vietnam, Laos, and Cambodia fell to Communism, and Mozambique, Angola, and Ethiopia followed.

Table 3 Soviet Expenditures in Non-communist Third World under Brezhnev: 1975–1979 in US Dollars (Gu 1983, 74)

	Military Total: 28.4bn	Economic Total: 7.3bn
Mideast	12.5bn	3.4bn
South Asia	3.1bn	1.1bn
Africa	12.1bn	2.5bn
East Asia	nil	180m
Latin America	765m	101m

The collapse of global communism: 1981–1991

One politician who disagreed with the conventional academic wisdom on globalization was Ronald Reagan. For many years prior to his election as President of the United States of America in 1980, Reagan firmly believed that in spite of all its awesome military power, the USSR was helpless before the power of an emerging global capitalist market. The USA, Reagan maintained, might best be able to defeat the Soviet threat by using its global economic leverage as well as its military. The Reagan years witnessed a decisive struggle between the two approaches to globalization. Reagan engaged in economic warfare with what Stalin once called the World Socialist Market, or what was left of it. A 1982 memo by Richard Pipes, Reagan's chief advisor on Soviet affairs, outlined a strategy that was essentially Reagan's own. America could topple the Soviet system by building up its own military and moving the arms race into Information Age areas such as the Strategic Defense Initiative ('Star Wars'), where Soviet technology could not compete. This would help bankrupt COMECON, as would cutting off the technology that would allow the Soviet Union to develop its oil weapon. Economic warfare, said Pipes, would 'avoid subsidizing the Soviet economy or unduly easing the burden of soviet resource allocation descisions, so as not to dilute pressures for structural change in the Soviet system' (Schweizer 2003, 158). Reagan placed economic pressure on American firms and even European governments to reduce their involvement in Soviet oil transactions. By 1985 evidence began to accumulate that the Soviet system was stagnating and needed restructuring. Far from being an asset, COMECON was becoming a liability. Upon the death of aging Brezhnevite Konstantin Chernenko, the Soviet Politburo chose Mikhail Gorbachev as General Secretary. Within six years the Soviet Union and COMECON would cease to exist.

Pure Marxist ideas of globalization had already crumbled in China. By the early 1980s Soviet Russia and China seemed to be moving in different directions. The KGB, led by Yuri Andropov, adopted an aggressive response to Ronald Reagan's economic warfare. By this time, Deng Xiaoping was firmly ensconced in power and fulfilling the worst nightmares of the now departed Mao (Baum 1994). China's rapid move away from doctrinaire Marxism played a cardinal role in major role creating the global economy of the 1990s. By the 1980s South Korea, Taiwan, Hong Kong and Singapore pointed to the success of international capitalism as the wave of the Asian future. The explosive growth of these 'Asian Tigers' posed a serious challenge to the 1960s and 1970s concept of a Third World uniting behind OPEC-style cartels to wage economic warfare on the West. The rise of the Pacific Rim gravely wounded Leninism and Marxist globalization; Deng's transformation of China doomed it. As China began to open herself to the Pacific Rim, the marriage of Marxism and Third World economics was sundered. Deng's reforms moved one-fifth of the world's population from Mao-imposed isolation to membership in the emerging global economy. The Third World as a concept itself was now dead. Poverty and underdevelopment persisted in Latin America, Africa, and countries such as the Philippines. The nations of the Far East, now joined by China, now pursued a different course. The Pacific Rim nations now focused on obtaining intellectual capital and human resources far more than oil revenues (Overholt 1993).

Taiwan, Singapore, and Hong Kong served as magnets to draw China into the global economy. The mainland provided the land and labor, the Asian Tigers, the entrepreneurs and skills. When these were combined, capitalist growth in the Peoples' Republic exploded. Guangdong and other coastal regions turned overnight into trading and investment emporia as China rushed to catch up with a world Maoism spurned. Politically, China remained in a state of frozen civil war with a 'nationalist' regime on Taiwan and a 'Communist' regime in Beijing. During the 1970s, Beijing won the battle for world diplomatic recognition and in its insistence that the island was still part of China. Taiwan, however, gained its revenge via its economic success and its development into a functioning democracy. The pull on China from the Taiwanese example became irresistible. Billions of dollars in goods flowed between China and Hong Kong, but a fair amount then flowed from Hong Kong to Taiwan. By 1992, Taiwan itself was exporting over US$6bn to China, despite the dubious legality of such trade (Overholt 1993).

General management practice during the Cold War in the communist world

Though the main thrust of this article is diverging paths of globalization, a central concern of current management theory and practice, it is of interest to note the impact on management practice in general of the divide between the Communist and Capitalist worlds. The western literature on management in the Communist world during the cold war is somewhat limited, nevertheless, it still offers some interesting insights on how management behind the Iron and Bamboo Curtains differed from that of much of the rest of the world. Some managerial threads in the writings of the time suggest some degree of commonality with Western managerial thought, training, quality and productivity, stress management (May and Bormann 1993), yet research suggests that the differences were far greater than the similarities (Lawrence and Vlachonsicos 1990).

At the heart of the differences was the degree to which most Communist countries looked to central planning to guide firms, this had far reaching implications for key managerial decisions: such as setting firm strategy, the ability to react flexibly to events, and often ensured the very hierarchical nature of organizations (Lawrence and Vlachonsicos 1990). Though Communist management was hierarchical, groups had important role in decision-making, very much more than was typical in the USA (though Nordic and Germanic models of the time differed from the American model). For example, Lawrence and Vlachonsicos' in their 1990 book point to the role of council of workers' collective plays in creating annual plans. Later, they point to another key difference that would seem to be a natural outgrowth of the system, that American mangers are more deadline oriented than Soviet managers. The Soviet mangers try to avoid deadlines out of a fear of failing to meet them.

The view that there existed very considerable differences between managerial practice in the Communist and non-Communist world receives support from the enthusiasm with which Soviet managers rushed to understand and implement western management practice (Ivancevich et al. 1992; McCarthy 1991; Puffer 1992; Shama 1993). Later we see a similar enthusiasm with the adoption of western management practice in China in the 1990s.

Conclusion

In this article I have discussed the impact of Communism during the Cold War on the development of one of today's central management issues, globalization. I argued that ideas and practices of globalization existed in the Communist world as well as the 'free world'. The Communist leaders of the Soviet offered an alternative vision of globalization based on a command economy and Marxist ideology. This vision was embodied in COMECON and Stalin's notion of a separate World Socialist Market. As a global economy shattered by World War II began to reemerge it placed great strain upon the concept of a World Socialist Market. Nikita Khrushchev sought to spread that World Socialist Market through peaceful competition. As the American-led global economy became stronger and powerful regional free economies arose in Western Europe and Asia, Leonid Brezhnev abandoned the idea of a separate World Socialist Market in favor of an international division of labor and global interdependence. The contradictions between that interdependence and the bellicose nature of Communist ideology were exploited by Ronald Reagan who helped engineer the triumph of the global capitalism championed by Harry Truman and resisted by Stalin. The spread of communism from two centres, Moscow and Peking, created two paths within the communist world. Mao's excesses in the Great Leap Forward and the Cultural Revolution utterly discredited militant Marxist economics and the accession of Deng Xiaoping rapidly began to shift China into the global capitalist economy. By 1991, the World Socialist Market no longer existed.

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