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## The Economic Roots of the Cold War: The IMF, ITO and Other Economic Issues in Post-War Soviet-American Relations

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# **The Economic Roots of the Cold War: The IMF, ITO and Other Economic Issues in Post-War Soviet-American Relations**

**Kristina V. Minkova**

## **Abstract**

In light of newly released archival resources, this article examines the traditional historiography of Soviet-American relations focusing on economic relations at the end of World War II.

The Cold War had an immense impact on the historical development of the world in the second half of the twentieth century, and its consequences continue to influence international relations. Examining the origins of the Cold War, the role of the U.S.S.R., and the United States in waging it remains highly relevant and topical today.

This study reveals the intentions of the Soviet government to participate in international economic cooperation at the end of World War II, undermining the distorted Cold War view of the 1950s-1980s propagated by both Soviet and Western propaganda. This new understanding is partly explained by the fact that the bulk of the documents had been for a long time unavailable to researchers.<sup>1</sup> Meanwhile, it shows that the history of Soviet-American relations and particularly that of the period considered is not indisputable. Nor should such studies be limited to the political problems that have traditionally been the focus of such scholarship. These enduring stereotypes significantly impede an impartial assessment of the current state of Russian-American relations. The paper further demonstrates how diplomatic missteps, fears, and hesitations contributed to the beginning of a long disastrous period in international relations known as the Cold War.

Economic relations between the U.S.S.R. and the United States in 1944–1946 cover a significant range of issues: the settlement of deliveries under the Lend-Lease Agreement; the question of the American loan to the U.S.S.R.; and the

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<sup>1</sup> A significant bulk of the documents was declassified in 1992 but they are not freely available. They are preserved in the Archive of the Foreign Policy of the Russian Federation which can be accessed only with a special license. Unfortunately, the researcher will not necessarily receive the documents he or she needs but only the documents that the keepers find appropriate to serve out. Many documents are still under seal.

American initiative to create several international economic and financial institutions including the International Monetary Fund, the International Bank, and the International Trade Organization, and the Soviet participation in these organizations.

It should be noted that neither the Soviet nor the American leadership had a unified position on any of these issues. Within three years, 1944–1946, Washington had changed its attitude to the very consideration of the issues listed above: one day they were planned to be discussed all together, another day, strictly separately. From the beginning of the talks the Soviet Government declared its desire to discuss each issue separately, but in the process it agreed to unite some of them into blocks.

## **Background**

During the Second World War the future of international economic cooperation was addressed in the Atlantic Charter and the Lend-Lease Master Agreement, but it was more precisely taken up only at the Moscow Conference of the Allied powers in late 1943. This conference was preceded by exchange of memoranda from both American and Soviet sides regarding the necessity to start bilateral confidential negotiations on major problems of post-war economic development (AVPRF 624, 1–2). On November 1, 1943, the Soviet, U.S., and British foreign ministers signed a secret protocol containing 10 annexes. The ninth annex was entitled “The bases of our program for international economic cooperation” (FRUS, 1943, pp. 763–766). This program contained a list of issues that the “Big Three” considered the most important not only for the normalization of international economic cooperation, but also for the success of the post-war system of international relations as a whole. The list was topped by the expansion of international trade on a non-discriminatory basis and the regulation of tariff and non-tariff barriers to trade in goods, as well as the establishment of solid international currency exchange rates and the organization of currency exchange.

The Americans and a lesser extent, the British, took the laboring oar in developing draft proposals on these issues. In the Soviet Union the People’s Commissariats of Finance (Narkomfin) and Foreign Trade (NKVT), in co-operation with the People’s Commissariat for Foreign Affairs (NKID) also worked on the Soviet position regarding post-war international economic relations.

The American proposals regarding the development of international trade led to the drafting of the Charter of the International Trade Organization (ITO). It was signed by 53 countries at the UN Conference on Trade and Employment on March 24, 1948, but never ratified by the United States and, therefore, most of the other signatory countries (Minkova, 2006, pp. 118-120). As for the establishment of fixed exchange rates and the organization of free currency exchange, the International Monetary Fund (IMF) and the International Bank for Reconstruction and Development (IBRD) were founded in the aftermath of the United Nations Monetary and Financial Conference held in Bretton Woods, New Hampshire, in July 1944.

## The Settlement of Deliveries under the Lend-Lease Agreement

On May 12, 1945, the Acting Secretary of State Joseph Grew sent Soviet chargé d'affaires in Washington Nikolay Novikov a note informing the Soviet government that "the shipment of supplies under the current program of Lend-Lease will be immediately modified in view of the end of organized hostilities in Europe" (FRUS, 1945, pp. 1000–1001). The Soviet side was completely unprepared for this message (the answering note stated that "The note referred to and the discontinuance of deliveries have come as a complete surprise to the Soviet Government" (AVPRF 702, 1), and reacted very negatively. This perception of the situation settled deeply both in Soviet/Russian and American historiography becoming the basis of many false assumptions. To begin with, this note was considered authentic evidence of the abrupt change of U.S. policy towards the Soviet Union after the death of Franklin D. Roosevelt (Fleming, 1961, p. 269; Herring, 1973, p. 181; Pechatnov, 2006, p. 328). As a matter of fact the situation was completely different. Firstly, the United States was considering a program of post-war assistance to the Soviet Union since 1943 (FRUS, 1945, p. 937). Secondly, Washington was determined to fully implement its commitments on deliveries in the framework of the Fourth Protocol to the Lend-Lease Agreement and negotiate the Fifth Protocol, as State Department repeatedly notified the Soviet embassy in various documents (AVPRF 624, 13–14; FRUS, 1944, pp. 1032, 1084). Third, the termination of supplies under the Lend-Lease Agreement stemmed from the wording of the U.S. Lend-Lease Act, according to which the deliveries under this program were to be ceased with the end of hostilities.

Further delays in the talks on this issue ended with the signing of the "Agreement between the Governments of the US and the U.S.S.R. on the disposition of lend-lease supplies in inventory or procurement in the United States" (United States Treaties and Other International Agreements, p. 2819–2822) on October 15, 1945. The delays were mostly caused by the actions of the Soviet leadership which greatly delayed answering notes and other messages in the framework of negotiations. In addition, the U.S. side interpreted the Soviet violation of the Article III of Mutual Aid Agreement from June 11, 1942, as an inappropriate and egregious breach of trust. This article prohibited the Soviet government "to transfer title to, or possession of, any defense article or defense information, transferred to it under the Act of March 11, 1941, of the Congress of the United States of America, or permit the use thereof by any one not an officer, employee, or agent of the Government of the Union of Soviet Socialist Republics" (Mutual Aid Agreement). Meanwhile, the U.S. Ambassador in Moscow Averell Harriman reported to the State Department in March 1945 that Stalin had presented Poland with 500 trucks received by lend-lease. Another 1,000 trucks were "donated" by the Red Army to Łódź. In addition, Harriman mentioned deliveries of lend-lease flour to Poland and sugar to Finland (FRUS, 1945, p. 990).

## **The Negotiations over the U.S. Loan to the U.S.S.R.**

The idea of granting the Soviet Union a credit worth several billion U.S. dollars for post-war reconstruction emerged in the U.S. Treasury even before an official request from the Soviet side. Throughout 1944, Trade Secretary Henry Morgenthau, Jr. repeatedly discussed with various U.S. officials the possibility of giving such a loan to the Soviet Union (FRUS, 1945, pp. 938-939).

The official request from the Soviet leadership was set out in the memorandum handed to Harriman by the People's Commissar for Foreign Affairs Vyatcheslav Molotov on January 3, 1945. The Soviet Government asked for a \$6 billion credit for a period of 30 years at a 2.5% interest rate to purchase American industrial products and equipment required for the speedy restoration of their war-ravaged economy (AVPRF 29, p. 1). The reaction to this request came immediately: on January 6, 1945, Harriman wrote to then Secretary of State Edward Stettinius: "It is my basic conviction that we should do everything we can to assist the Soviet Union through credits in developing a sound economy. I feel strongly that the sooner the Soviet Union can develop a decent life for its people the more tolerant they will become" (FRUS, 1945, p. 947). At the same time Harriman insisted that negotiations on credit came completely separate from the negotiations on the lend-lease settlement.

On January 10, 1945, Secretary of Trade Morgenthau sent a memorandum to Roosevelt proposing to grant the Soviet Union a \$10 billion credit for 35 years at 2% interest rate (FRUS, 1945, p. 948). Appropriate attention should be given to the uniqueness of this situation: the U.S. government, in fact, showed willingness to provide the U.S.S.R. with a larger credit on more favorable terms and for a longer period than requested!

However, it is here where the first difficulties emerged. The Soviet side insisted on discussing the loan jointly with the settlement of the Lend-Lease Act, considering it virtually one question. In the United States the State Department began debating on the form of the credit, conditions of its granting and, most importantly, on how to make Congress adopt relevant legislation to realize the procedure. Unable to find a quick compromise with the Soviet leadership the United States suspended deliveries under the Fourth Protocol to the Lend-Lease Agreement. Both sides found themselves frustrated.

If the Soviet Union were to enter the war with Japan it would be in the need of supplies under the Fourth Protocol; but until then the State Department could not justify the need of their renewal to the Congress. U.S. Assistant Secretary of State Joseph C. Grew communicated this problem to Soviet charge d'affaires in the United States Nikolay Novikov in a note dated June 26, 1945 (FRUS, 1945, pp. 1027-1028). However, the next day Grew sent Novikov another note informing the latter about the possibility of delivering to the U.S.S.R. those goods from the list submitted by the Soviet side which could be found and prepared to ship by August 31, 1945. In a note dated July 17, 1945, this period was extended for one month (FRUS, 1945, pp. 1029-1030).

By this time the balance of power between the Allied Powers shifted significantly. The successful nuclear test of July 1945 made the United States and its President Harry Truman feel that they now occupied a unique position in post-war international relations. Being sure that the Soviet physicists would need another 15-20 years to develop their own nuclear bomb, President Truman began acting abruptly. In his famous letter to the U.S. Secretary of State James Byrnes, he confessed that he was “tired of babying the Soviets” (Truman, 1955, pp. 551–552). Hence in any negotiations the American side stopped seeking compromise. The question of credit was firmly tied to other problems in the economic relations between the two countries. In a memo of General Wesson, Director of the U.S.S.R. Branch of Foreign Economic Administration to its Administrator L. Crowley the former stressed the need to conclude a U.S.-Soviet trade agreement, an agreement on fishing rights in the Bering Sea and around the Aleutian Islands, and to settle violations of the Article III of the Lend-Lease Agreement mentioned above. Repeated U.S. notes to the Soviet leadership were left unanswered and Moscow did not terminate supplies of the lend-lease goods and equipment to third countries (FRUS, 1945, pp. 1038-1039). Meanwhile, the protracted negotiations between different U.S. administrations left Soviet requests for American credit unanswered. Stalin commented on this situation at a meeting with Senator Pepper and other American Congressmen in Moscow in September (Kennan, 1967, p. 179). Given the urgency of Soviet requests, it is further notable that it was not until August 9, 1945, that Harriman informed the Soviet leadership on the introduction of the U.S. law authorizing the Export-Import Bank to provide loans to other countries (AVPRF 669, p. 67).

The signing of the already mentioned Agreement on lend-lease supplies on October 15, 1945, was the last success in the Soviet-American talks on economic issues. After that the negotiations stalled despite the persistent interest from both the Soviet and American sides. On December 21, Harriman sent James Byrnes a telegram stating that “Little information has been received by this Embassy regarding our over-all economic policy towards the Soviet Union and particularly as it relates to Soviet economic policies .... Since Soviet political policy appears to be influenced by economic objectives it would seem that we should give at this time greater attention to the concerting of our economic policy with our political policy towards the Soviet Union” (FRUS, 1945, p. 1049).

### **The U.S.S.R. & the Creation of the International Trade Organization**

Harriman’s telegram to Washington was well received. The same day, December 21, Harriman forwarded to Molotov’s deputy A. Vyshinsky “Proposals for the expansion of world trade and employment.” Similar texts were sent to 13 other countries two weeks prior (AVPRF 47, pp. 137–139). Being the result of an exhaustive bargaining between Washington and London, the “Proposals” were a clear expression of the American view of the post-war economic order. The Soviet Government was asked whether it would agree to participate in the negotiations scheduled for March or April 1946. This document caused a major stir in the NKID

and NKVT that had already developed their own views on post-war organization of international trade. By December 31, 1945, the “Proposals” have been carefully studied in several departments of the People's Commissariat of Foreign Affairs. That day Molotov received a memo “On the US proposals to expand world trade and employment” (AVPRF, 700), signed by one of his deputies, Amazasp Arutyunyan, and the head of the NKID economic department Vladimir Gerashchenko. The letter briefly considered the American proposals for the preparation of an international conference on trade and employment, which was supposed to convene in the summer of 1946 under the aegis of the UN. In addition, the letter contained a summary of the basic principles of the Charter of the World Organization Trade and Employment. Arutyunyan and Gerashchenko wrote, “The American proposals to expand trade and employment – in particular as regards our foreign trade are largely unacceptable for us” (AVPRF 700, p. 3). However, they would find it possible to agree to participate in the preliminary discussions in March and April 1946 on the issues of world trade and employment, “not being bound, however, by any obligations with respect to our participation in the World Conference on trade and employment”( AVPRF 700, p. 3). They concluded that Soviet participation in the “said preliminary discussion of the US proposals on world trade” was advisable “regardless of whether we participate or not in the projected global organization” (AVPRF 700, p. 4).

These officials substantiated the need for the Soviet Union's participation in the talks by the fact that even in the case of a decision not to participate in the activities of the ITO, it would have been advisable to try removing from its charter provisions any aspects disadvantageous for the U.S.S.R., in order to test American, British, and other participants' intentions in the negotiations as well as to examine the current state of trade and economic contradictions etc. If, however, Soviet participation in the Organization would be recognized in the future as desirable, participation in the preliminary discussions of the proposals for the conference, which would resolve the issue of the creation of the International Organization on Trade and Employment, would be all the more important (AVPRF 700). On January 3, 1946, Molotov forwarded this letter and the “Proposals” to his other deputy, Vladimir Dekanozov with the following note: “Please, present the project agreed with Comrade Mikoyan” (AVPRF 700, p. 1). All internal correspondence was classified as “secret”.

During January and February 1946 both NKID and NKVT were actively studying American proposals and their potential impact on the Soviet economy, Soviet-American relations and the U.S.S.R.'s position in the post-war world. However, at that time Moscow did not produce any response to the “Proposals.” The consequences were disastrous. On February 21, 1946, Byrnes sent to Soviet charge d'affaires in Washington Fyodor Orekhov a note stating that from that day, all economic questions between the two countries would only be negotiated together. By that time this list of questions included:

- (1) Claims of American nationals against the government of the U.S.S.R., including claims arising from actions of the U.S.S.R. in occupied and liberated areas;
- (2) Determining the concerted policy to be followed by the United States, U.S.S.R., and the United Kingdom in assisting the peoples liberated from the domination of Nazi Germany, and the peoples of the former Axis satellite states of Europe to solve their pressing economic problems by democratic means;
- (3) Arrangements of free, equal, and open navigation on rivers of international concern to individuals, commercial vessels, and goods of all members of the United Nations;
- (4) Preliminary discussions of a comprehensive treaty of friendship, commerce, and navigation between the United States and the U.S.S.R., and agreement to enter into negotiations in the near future for the conclusion of such a treaty;
- (5) Arrangements to assure the adequate protection of the interests of the writers and inventors and other copyright holders;
- (6) Methods for giving effect to the United States "Proposals for Expansion of World Trade and Employment" transmitted to the Soviet leadership on December 21, 1945 (the date of transmission was surely put intentionally to show Soviet unwillingness to co-operation in this project of ultimate international importance);
- (7) General settlement of lend-lease obligations in accordance with the provisions of the Lend-Lease Agreement on the basis of an inventory of lend-lease supplies in the possession of the U.S.S.R. or subject to its control at the end of hostilities;
- (8) Civil aviation matters of mutual interest to the two countries;
- (9) Discussion of other economic questions (FRUS, 1946, pp. 828-829).

It took the Soviet side almost a month to work out a suitable reply to that note. In his memoirs the then People's Commissar for Foreign Trade Anastas Mikoyan sparingly explained the reasons of such delay: "It was to our disadvantage, because for credits they wanted us to make concessions on other issues, that we were not ready to make decisions on" (Mikoyan, 1999, p. 495). Thus, only on March 15, 1946, Novikov informed Byrnes that the Soviet government agreed to discuss with the following questions: the amount and terms of credit; the conclusion of a treaty of friendship, commerce, and navigation; methods for giving effect to the provisions of Article VII of the Lend-Lease Agreement; and the question of lend-lease supplies. As for other issues, the Soviet Government did not consider it "expedient to connect the discussion of any other questions with the discussion on credit" but expressed its willingness to discuss them at a time and place to be agreed upon by both parties (FRUS, 1946, pp. 829-830).

This time it was the U.S. leadership that took over a month to reply. On April 18, 1946, in a note to Novikov, Byrnes welcomed the readiness of the Soviet side to discuss the issues listed in the note from March 15. However, Washington

considered three matters not included in the Soviet list—that is the claims of American nationals against the government of the U.S.S.R; the concerted policies for economic assistance for liberated nations and the protection of intellectual property—closely connected with the issues that the Soviet Union government has already agreed to discuss immediately. He therefore suggested starting negotiations on these issues on May 15 in Washington, and on the technical aspects of lend-lease supplies—10 days before. Later on Byrnes expressed his pleasure from noticing the presence of a Soviet observer in the first meetings of the Boards of Governors of the IMF and IBRD, and expressed the hope that the Soviet Union would soon become a member of these organizations and participate in their activity (FRUS, 1946, pp. 834–837).

The Soviet experts from NKVT took about a month to finalize the answering note. On May 17, Novikov communicated to the Acting Secretary of State Dean Acheson a note repeating almost word for word the text of the Soviet note of March 15. The only exception was the date—the Soviet side agreed to begin negotiations in May that year (already late for a few days to the date proposed earlier by the Americans)—and the addition of the question of navigation on the rivers and civil aviation to the discussion agenda. As for other issues of American concern, the Soviet leadership repeated its position that they had not been directly connected to key issues it agreed to discuss, but again expressed its willingness to start a preliminary exchange of views on an agreed date (FRUS, 1946, pp. 841–842).

On May 23, U.S. Assistant Secretary of State for Economic Affairs W. Clayton received from the Office of Financial and Development Policy a memorandum containing new measures for the response to the Soviets. It proposed two scenarios for further actions:

1. To make use of the phrasing in the Soviet notes, and to suspend the negotiations on credit; and
2. To defer discussions of a larger loan in the Congress until there is a guarantee of the successful completion of negotiations with the U.S.S.R. while providing the Soviet Union with a minor credit of \$ 250-500 mln from free sums of Export-Import Bank (FRUS, 1946, pp. 842–843).

The United States' response followed in another month arriving only on June 13. Byrnes still insisted on the simultaneous discussion of all economic issues and appointed a new date for the commencement of negotiations—July 10, 1946 (FRUS, 1946, pp. 844–845). At the very bottom of the note it was stated that the U.S. government would be grateful for a quick response—a very clear allusion to the fact that there had been no progress in negotiations for six months. Meanwhile, representatives of 19 countries had already been actively working out the draft Charter of the ITO, the discussion of which was due to begin on October 15 in Geneva (Minkova, 2006, p. 111).

At the end of June 1946, the U.S. State Department prepared a draft of a new lend-lease agreement that the United States had hoped to discuss with the Soviet

Union and sign in a short time. However, no reaction to the note from June 13 followed from the Soviet side until early September. By then the State Department had to admit the need to offer Moscow separate talks on the Lend-Lease Agreement to get it off the ground and achieve at least some kind of positive result. William Clayton sent the corresponding note to Fyodor Orekhov on September 14, 1946. In addition, U.S. officials regarded these negotiations as a means to win back three American icebreakers transferred to the Soviet Union by lend-lease. Instead of being returned to the United States after the end of hostilities, these vessels were illegally held by the Soviets in violation of all agreements.

Clayton's note remained unanswered. On December 31, 1946, the U.S. ambassador to the U.S.S.R. W. B. Smith had to "remind" Molotov about it (FRUS, 1946, p. 865).

It should be stressed that in reality the Soviet attitude to the American proposals was by no means so indifferent as it may seem from the correspondence discussed above. It is true that in accordance with Anastas Mikoyan recollections the Lend-Lease Agreement did not represent any interest to the Soviet Union, and the Soviet leadership did everything possible to hold up talks on this issue (Mikoyan, 1999, p. 495). However, Moscow regarded an invitation to participate in the negotiations on the ITO as extremely important. The American "Proposals" had been carefully studied in the Ministries of Foreign Affairs and Foreign Trade, and approximately since the end of May 1946 the Ministry of Foreign Trade started developing detailed guidelines ("directives") for the Soviet delegation to participate in working out the draft Charter of the ITO. Beside a very detailed analysis with a separate conclusion on every paragraph of the "Proposals for the expansion of world trade and employment," and a draft of the ITO Charter in its version from December 1945, these guidelines contained positions on all the economic issues listed in the note from February 21. These directives had even been approved by a special resolution carried by the Central Committee of the All-Union Communist Party (Bolshevik) (RGASPI 28, 68–173). Another proof of the great desire of the Soviet leadership to take an active role in multilateral talks could be found in the renaming of the Council of the People's Commissars to the Council of Ministers and the People's Commissariats to the Ministries in March 1946 in order to conform to international standards (Law on Transformation, 1946). Some groups within the American leadership and academia had also been confident about the potential participation of the Soviet Union in the post-war economic cooperation, especially in the activities of the IMF and the ITO talks. This attitude survived Churchill's famous Fulton speech and lived up to mid-1947. In May 1947, the respected journal *The American Economic Review* published an article authored by a famous American historian and economist Alexander Gerschenkron (1947) entitled "Russia and the International Trade Organization." This article analyzed in considerable detail the applicability of each article of the draft ITO Charter to the economic and political situation in the U.S.S.R. In conclusion, Gerschenkron (1947) expressed confidence that Soviet participation in the ITO would contribute to "laying the basis of peaceful economic collaboration between different economic worlds" (p. 642).

## **The Participation of the U.S.S.R. in the IMF and World Bank**

In early 1944, active talks were held between the Soviet and American experts regarding the basic principles of the IMF. Although almost every amendment proposed by the Soviet side had been declined by the Americans, in the middle of March 1944, the latter made counter-proposals for virtually all the points in question: the ruble exchange rate; the discount in contribution in gold for the countries severely damaged by war; the amount of basic economic information to be presented to the Fund; and the executive force of the Fund's decisions. However, at that stage of the talks the Soviet experts concluded that the Soviet Union would not get any economic gains from participation in the IMF, which would have only political importance for securing Soviet influence in international affairs (AVPRF 171, 10).

The Soviet leadership was eager to play a major role in the post-war economic and political order. This made Moscow agree to some clearly disadvantageous concessions to remain on board of economic negotiations. It is my belief that Stalin was not fully aware of all the complexity of the big economic and political game between the United States and Great Britain, which gained momentum in 1943. While the latter was struggling to save the remnants of its empire and was bargaining madly for credits vitally important for its survival, the former were clearly demanding the role of a world leader. For example, no Soviet documents show any hint of the Soviet understanding of the role of Canada in this bargaining, though in 1944 negotiations with Canada on economic issues were clearly more important to the United States than those with the U.S.S.R. Thus, in American documents the concern over the terms of the British-Canadian bacon contract outranks the Soviet-American discrepancy in the basic principles of the IMF activity (FRUS, 1944, pp. 50, 60, 78, 89).

In July 1944, Soviet representatives attended the United Nations Monetary and Financial Conference in Bretton Woods, where the Soviet delegation made some further concessions to the American proposals by agreement with the Kremlin. On July 22, 1944, the chair of the delegation Mikhail Stepanov signed the Final Act along with the delegates from other 43 Allied Nations. Immediately after the Conference, the Soviet delegation submitted detailed observations on the advantages and disadvantages of the Soviet Union's membership in these organizations to the NKID, NKVT, Narkomfin, and the State Bank (Gosbank). Apparently, this question was consistently mooted in the NKID, NKVT, Narkomfin, and Gosbank throughout the entirety of 1945 (AVPRF 197, 1–4, 10–18; AVPRF 194, 196–205).

Documents deposited in the Foreign Policy Archive of the Russian Federation suggest that the U.S.S.R. was about to join both the IMF and International Bank for Reconstruction and Development (IBRD) until December 31, 1945. In particular, the collection includes a draft Resolution of the Politburo "On accession of the U.S.S.R. to the International Monetary Fund and the International Bank for Reconstruction and Development," and the findings of a special commission authorized by a decree of the Council of People's Commissars from March 5, 1945,

to develop proposals regarding the possible participation of the U.S.S.R. in the International Monetary Fund and the IBRD. This commission concluded its work on November 27, 1945, with recommendations to the Soviet leadership to join the IMF before December 31 as the entry conditions after that date were to be determined by the Fund (AVPRF 194, 200).

However, during 1945 the position of the Soviet government to joining the IMF changed dramatically. Rapidly worsening relations with the United States made Stalin feel at a loss. The necessity to completely review his foreign policy led him to make some poor decisions. The decision to postpone the Soviet Union accession to the IMF might well be one of these poor decisions. Urged by both the Soviet and American officials to make a statement on the Soviet policy regarding joining the IMF, on December 29, 1945, the People's Commissar for Foreign Affairs Vyatcheslav Molotov communicated to Harriman that "the Soviet government considered it impossible at that time to sign the draft agreement drawn up in Bretton Woods ... the Soviet Government found it necessary to subject the issues raised by these projects to further study in the light of the new conditions of postwar economic developments" (AVPRF 704, 8).

This was obviously a difficult decision. A week earlier, on December 21, 1945 (the day when the "Proposals for the expansion of world trade and employment" were communicated to Vyshinsky), Molotov got another report on the IMF from his staff. This report presented weighty considerations from the Soviet Union to take part in the work of the IMF and the World Bank. In particular, it was believed that "the entry of the U.S.S.R. into the membership of the International Monetary Fund would be considered by the United States and other United Nations as a proof of its desire to participate in international economic cooperation. On the contrary, the Soviet Union's refusal to participate in the international monetary organizations would play into the hands of reactionary elements in US and British financial circles opposing the post-war cooperation between the main countries in the maintenance of postwar peace and order" (AVPRF 194, 8). Two days before Molotov's refusal to sign, the United States ratified the IMF agreement thus making it come into force.

No doubt following the example of Great Britain, the Soviet Union hoped to barter its signature on the IMF agreement in exchange for guarantees of a large credit from the United States (Pollard, 1985, pp. 67–68). Since by the end of December 1945 the issue of the loan still remained unresolved (Van Dormael, 1978, p. 192), the Soviet Union turned out to be a prisoner of its own aspirations—signing the agreement without getting the loan could be considered both in the United States and Great Britain as a clear evidence of the political and economic weakness of the Soviet Union (Gaddis, 1972, p. 23). It would be fair to say that this viewpoint has never been proved, but the bulk of documents and literature studied on the subjects makes very high the probability that the Soviet Leadership was motivated by these considerations.

The Western countries and the United States, in particular, met the refusal of the Soviet leadership to join IMF in 1945 with mixed reaction. Opponents saw it as another proof of the dictatorial aspirations of the Soviet leadership, who did not want to make any compromises with its former allies. Proponents of more liberal

positions reminded policymakers that the Soviet Union was not the only country that had not signed the IMF agreement on December 31, 1945. The list of these countries included, for example, Australia and New Zealand.

In effect, Molotov's statement was not an empty excuse and really did not mean the final rejection by the U.S.S.R. to joining the IMF and the World Bank. Otherwise, it is doubtful that Moscow would have allowed Czechoslovakia and especially Poland to become IMF members (Lavigne, 1990, p. 25). In addition, in March 1946, the Soviet Union took part in the first meeting of the IMF Board of Governors Fund as an observer (Brabant, 1991). Due to the anticipated entry of the Soviet Union in 1946 it was decided at this meeting to extend the period for acceptance of new members on the initial terms until the end of that year (Hexner, 1946, p. 640).

However, 1946 brought drastic changes to the character of the U.S.–Soviet Union talks on the issues of economic cooperation. As mentioned before, the Soviet membership in the IMF was no longer a separate question; it had become part of the whole complex of economic problems of multilateral and bilateral nature, which Washington agreed to consider only in tandem. The directives for the Soviet delegation prepared in May 1946 for the talks on the ITO still contained a few phrases concerning the Bretton Woods institutions. In particular, the document stated: “If the US government agrees with our proposals and will sign an agreement on granting a loan, the full and final settlement of the Lend-Lease, the delegation may declare the readiness of the Soviet Union to join the International Monetary Fund and the International Bank for Reconstruction and Development as well as the United Nations Food and Agriculture Organization” (RGASPI 28, 70).

The documents discussed in this study present us with a completely new picture of Soviet-American relations in 1944–1946. The Soviet leadership appears more open to international cooperation, at least in the economic sphere, than traditionally believed. Accordingly, the perception of 1946 as the first year of the Cold War takes a completely different hue. As we can see, in 1946 the Soviet leadership was still willing to participate in international affairs and did not seek isolation. However, its decision to take some time out to watch how the events would develop and consider from outside all the benefits and dangers of an active participation in international affairs proved to be a fatal mistake. The push-back and foot-dragging of late 1945–early 1946 turned fatal for Moscow, as the Soviet Union was cut off from the work of major international institutions, causing significant damage to its own national interests.

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