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Review by **Stephan Kieninger**, Independent Historian

Tyler Esno's article, "Reagan's Economic War on the Soviet Union," is a significant contribution to scholarship on the economics of the Cold War. Drawing on American and British sources, Esno looks into the brief period of President Ronald Reagan's economic war on the Soviet Union starting in the aftermath of the declaration of martial law in Poland in December 1981. He argues that the economic war policy was implemented during 1982 and that it was eventually abandoned before the end of that year simply because the West European allies refused to support U.S. policies. His conclusion is that the "economic war represented a short-lived break with pragmatism and engagement" and that "it also further elucidated the constraints Western Europe and multinational corporations placed on the exercise of U.S. power" (304). This is an important insight: The Reagan Administration's sanctions did not give the United States leverage to dictate policies to its allies. Thus, Reagan lifted the sanctions in November 1982. Esno suggests that "if anything, pragmatism appears to be the most apparent quality of Reagan's economic policies" (303).

What does this conclusion mean for the larger debates about Reagan's role in the end of the Cold War? Esno makes an excellent point in writing that "it complicates divisions between the "victory" and revisionist schools" (303). He notes that Reagan's abandonment of the economic war in November 1982 casts "further doubts on the "victory" thesis as well as revisionist interpretations that aggressive anticommunism categorized his first term" (303). Most revisionists argue that Secretary of State George Shultz pushed Reagan into a pragmatist direction in 1984. Esno's work supports the revisionist conclusion. However, he "suggests the shift in Reagan's policies began one year earlier when the president abandoned the economic war" (303). From a West European vantage point, the change in the Reagan Administration's approach signaled that East-West economic relations could be protected from rising tensions over the Euromissiles and the global Cold War. The West Europeans managed to use East-West trade as a means to pursue a 'long détente.' There was a continuity of cooperative security policies in Europe and its transatlantic and Eurasian frameworks.¹

¹ Oliver Bange and Poul Villaume, eds., *The Long Détente: Changing Concepts of Security and Cooperation in Europe, 1950s-1980s* (Budapest: Central European University Press, 2017).

In the early 1980s, Reagan and his advisers were concerned that an expansion of the West European natural gas trade with the Soviet Union would aggravate Western Europe's dependence on Soviet gas leading to increased political vulnerabilities, and thereby inhibiting the capability of their actions to confront the Soviet Union over the Euromissiles. The Reagan administration perceived trade as a zero-sum game: Soviet gains in hard currency were seen as Western losses in security. Economic interdependence was never perceived as an asset. Rather, the aim was to avoid mutual dependencies. Esno examines the Reagan Administration's sanctions against the construction of the Urengoy-Pomary-Uzhgorod pipeline, a 3,000-mile conduit transporting natural gas from fields near the Arctic Circle in West Siberia to Western Europe. America's West European allies sought the establishment of economic interdependence across the blocs in an effort to engage the Soviet Union and to facilitate its integration into the global economy. From a West-German vantage point, Soviet trade had two crucial aspects: First, trade was key to perforating the Iron Curtain and facilitating the freer movement of people, information, and ideas. The administrations of Chancellors Helmut Schmidt and Helmut Kohl bought human contacts through credits and bold packages of economic assistance. The aim was to foster liberalizing changes in Eastern Europe through an expansion of East-West communication. These objectives were very much in line with the provisions of the Helsinki Final Act of 1975. East-West trade had an enormous impact on facilitating a state-induced Helsinki effect, a Helsinki-effect from above.² Second, the Schmidt administration saw Soviet energy trade as a means to respond to the global energy crisis and the sudden challenge to Western prosperity from the cartel of Middle East oil producers. Both aims necessitated cooperative security policies toward the Soviet Union. In 1978, for instance, Schmidt reiterated that "the Russians would not reduce their armaments, but the goal should be to engage them in a joint perspective of trade, industry, and technology over the next 20 years within which would emerge a greater Soviet dependence upon Western supplies. This would result in increased European influence on Soviet policies."³ The U.S. pipeline sanctions jeopardized these long-term policy objectives.

Esno's article takes a precise look at the transatlantic debates over the pipeline sanctions in 1982. His analysis of NATO's strategy debates is an important contribution to the historiography on the crisis of East-West relations in the early 1980s. He sheds new light on the insecurity of America's West European allies pertaining to the question whether or not the U.S. sanctions applied only to U.S. companies or included foreign subsidiaries of U.S. companies and licensees of U.S. technologies. As Esno points out "if the United States applied the sanctions extraterritorially and retroactively, the Western Europeans could not supply the contracted pipeline materials to the Soviet Union without violating U.S. law" (294). Esno's analysis on the

² Stephan Kieninger, *The Diplomacy of Détente: Cooperative Security Policies from Helmut Schmidt to George Shultz* (London: Routledge, 2018). The effect from below accrued from the emergence of a transnational dissident network and the evolution of civil society contacts across the blocs advocating human rights in an effort to question the viability of one-party Communist rule. See Daniel C. Thomas, *The Helsinki Effect: International Norms, Human Rights and the Demise of Communism* (Princeton: Princeton University Press, 2001); Sarah B. Snyder, *Human Rights Activism and the End of the Cold War: A Transnational History of the Helsinki Network* (Cambridge: Cambridge University Press, 2011). The Helsinki effect from above entailed state-induced societal changes accruing from the dynamic détente process and its ramifications for both the states as well as the societies in Eastern Europe. See H-Diplo Article Review Forum 701 on "CSCE, the German Question, and the Eastern Bloc" in: *Journal of Cold War Studies* 18:3 (Summer 2016): 3-180. See https://networks.h-net.org/system/files/contributed-files/ar701_0.pdf, accessed 23 April 2018.

³ Memorandum of Conversation between James Callaghan and Helmut Schmidt, 24 April 1978, in: The National Archives (TNA), Prime Minister's Office Files, James Callaghan (PREM 16), Vol. 1655, see <http://www.margarethatcher.org/document/111594>, accessed 23 April 2017.

lack of proper transatlantic consultations is a particular strength. His article provides excellent discussion of the problems of unilateral U.S. sanctions: Reagan had not considered the bold implications of his decision. Esno underlines that fact that Reagan “stumbled into this predicament over the pipeline” (295). In a National Security Council meeting on 4 January 1982, for instance, Reagan admitted that “I must take the blame for having been careless. At the time that I announced the sanctions [in December 1981], I believed that the United States was the dominant factor in what went into the production of the pipeline. Now, [British Prime Minister] Maggie Thatcher has made me realize that I have been wrong. I now realize that the important factors are the subsidiaries and licensees of U.S. corporations” (295).

Another strength of Esno’s article pertains to his analysis of the imbalances of Reagan’s policy: In April 1981, the Reagan Administration had lifted the grain embargo. It was not reinstated after the declaration of martial law in Poland in December 1981. Why should the West Europeans have stopped the Siberian pipeline project when the Reagan administration had abandoned the grain embargo, lifting controls on three-fourths of U.S. trade with the Soviet Union? America’s annual exports of manufactured industrial goods to the Soviet Union amounted to some \$300 million per year, whereas Reagan’s measures threatened \$4 billion worth of European contracts related to the construction of the Urengoy pipeline. Last but not least, Esno looks into the domestic economic consequences of Reagan’s sanctions. U.S. companies could no longer deliver product components to their foreign subsidiaries and Western European businesses for use on the Siberian pipeline. Esno points out that the U.S. sanctions damaged the earning of major U.S. sanctions such as Caterpillar and General Electric, resulting in the loss of about \$ 600 million in U.S. sales (290).

Esno points out that the lifting the pipeline sanctions was the start of a gradual process toward a more pragmatic posture that facilitated Reagan’s willingness to engage with the Soviet Union’s leaders (303).⁴ That is an important conclusion. However, Esno does not put his work into the larger framework of U.S.-Soviet relations. He does not offer a broad contextualization of his findings. The lifting of the sanctions signaled the departure of the linkage approach that had thus far been the dominating element in U.S.-Soviet relations. Linkage in U.S.-Soviet relations meant that bad things in one area would cause disruptions in all other areas. The theory behind linkage was that the United States could best influence and restrain Soviet policy by regarding the entire range of conflicts and contentious issues with the USSR not on their own merits but in terms of their effects on U.S.-Soviet relations.⁵ However, the linkage approach carried the danger that all sorts of conflicts and incidents might stand in the way of progress in areas of vital U.S.-Soviet interest, be it Vietnam, conflicts in Angola, the Horn of Africa, the Soviet intervention in Afghanistan, or the declaration of martial law in Poland.

The most outstanding example of the linkage approach was the reaction of President Jimmy Carter to the Soviet invasion of Afghanistan. He terminated all contacts with the Soviet Union, withdrew the SALT II treaty from the consideration by the U.S. Senate and U.S., and withdrew permission for American athletes to

⁴ James Graham Wilson, *The Triumph of Improvisation: Gorbachev’s Adaptability, Reagan’s Engagement, and the End of the Cold War* (Ithaca: Cornell University Press, 2014).

⁵ Jussi M. Hanhimäki, *The Flawed Architect: Henry Kissinger and American Foreign Policy* (Oxford: Oxford University Press, 2004).

participate in the 1980 Olympics.⁶ The Reagan Administration inherited the frozen situation bequeathed by President Carter. Esno does not mention Shultz's efforts to get away from the old linkage concept. Starting in 1983, Shultz set a comprehensive agenda that was aimed at reengaging the Soviet Union in four issue areas: Arms control, human rights, regional issues, and bilateral negotiations. Thus, Shultz emphasized trying to engage the Soviet Union in as many ways as possible and moving forward in steps. The idea was that the experience of solving small problems would eventually make it easier to solve big ones.

Another shortcoming of the article is perhaps its lack of further analysis on the interconnection between the pipeline sanctions and the Euromissile crisis. Esno writes that "the pipeline fiasco passed, and Shultz thought the alliance could turn its attention to resolving the Euromissile crisis, whether through negotiations with the Soviets or deploying the intermediate-range ballistic missiles" (301). The coming 'year of the missile' was a major trigger for the lifting of the sanctions. Shultz saw NATO as a team. The Reagan Administration needed the consent of its NATO partners to deploy new missiles in Western Europe. The lifting of the pipeline sanctions has to be seen in this context.

Esno's article draws upon a solid base of archival evidence. The author makes good use of the rich sources at the Ronald Reagan Library and the British materials available online at the website of the Margaret Thatcher Foundation. Meanwhile, some of the U.S. evidence has been published in a *FRUS* volume on the Soviet Union.⁷ The author should have included these materials from *FRUS* in order to give readers a greater chance to access the documents more easily. Although the focus of Esno's research is on the Reagan Administration's perspective, the author could have included some important recent accounts on the European perspective such as Per Högselius's *Red Gas*⁸ and the volume on *Cold War Energy* edited by Jeronim Perovic.⁹

Nevertheless, the article makes a significant contribution to the existing scholarship on the economics of the Cold War. It addresses a key issue: Natural gas trade with the Soviet Union was and still is a test case for NATO's cohesion in times of turmoil. Esno's research is also policy relevant: NATO's family quarrels over the Siberian pipeline were an antecedent of today's debates over the construction of the North Stream 2 gas pipeline between Russia and Germany. The Trump Administration sees North Stream 2 as a threat to Europe's energy security. In contrast, ever since the Soviet Union's collapse, German Ostpolitik has been premised on the principle that engagement with Russia is essential, however challenging the process may be. The solution of the 1982 pipeline conflict underscored the impact of multilateral diplomacy: Solutions to thorny problems must benefit all sides if they are to last.

⁶ Daniel Sargent, *A Superpower Transformed: The Remaking of American Foreign Relations in the 1970s* (Oxford: Oxford University Press, 2015); Hal Brands, *Making the Unipolar Moment: U.S. Foreign Policy and the Rise of the Post-Cold War Order* (Ithaca: Cornell University Press, 2016).

⁷ *FRUS 1981–1988, Vol. III, Soviet Union January 1981–January 1983*, James Graham Wilson, ed. (Washington, D.C.: United States Government Printing Office, 2016).

⁸ Per Högselius, *Red Gas: Russia and the Origins of European Energy Dependence* (Basingstoke: Palgrave Macmillan, 2013).

⁹ Jeronim Perovic, *Cold War Energy: A Transnational History of Soviet Oil and Gas* (Basingstoke: Palgrave Macmillan, 2017).

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