During the Cold War that began in the late 1940s, India took the centre stage, both politically and economically. That the Cold War had a strong economic component is not new to our knowledge. Recently, this economic component has primarily been researched through the lens of development assistance and the fierce competition related to it. The battle of donor nations and thus the many government and non-government actors involved elicited an aid rush that was not confined to, but primarily focused on independent India. Much less is known about other actors in the economic realm, namely international private investors who (re-) established business links in a promising Indian market in the two decades that followed Indian Independence in 1947.

The paper focuses on company examples from West-Germany in order to shift the focus from the superpowers who competed economically in India. Before 1914, even though India was still quite firmly under British colonial rule, German business had successfully established business in India (Lubinski, Giacomin, & Schnitzer, 2018). After 1947, the large Indian market and an end of colonial rule proved attractive enough to quickly try to re-establish old links after the war. Relatively high export volumes in the early 1950s provided the basis for high expectations associated with the Indian market, e.g. in chemicals and pharmaceuticals. However, in the perception of German business, decolonisation, India’s leaning towards socialist economic policies and state intervention made India a risky country – a view that was shared by the German government when Minister of Economics L. Erhard supported Germany’s and its industry’s ‘Return to the World Market’ (Erhard, 1953). Analysing German company examples, the paper tracks how these businesses adapted or synchronized their expectations with reality when confronted with the economic, social and politico-economic challenges and business opportunities.

It is at the same time of the “heyday of the Cold War” in the late 1950s to mid-1960s (Engerman, 2018), when the highest numbers of new Indo-German joint ventures were formed. The paper argues that while firms were aware of the political Cold War that was also fought with economic weapons, they
“Investing in India is foolish. Not investing in India is even more foolish” always sought to pursue their strategic business goals, even when engaging in activities that were not directly linked to their own business undertakings. The paper elaborates on how German business built or re-established former networks to secure a positive climate in the wake of what became known as one of the most-regulated economies of the world by the mid-1960s with its so-called “Licence Raj” (Fitzgerald, 2016, 382f.). Did the firms aggressively expand onto the Indian market to realise First-Mover-Advantages in the quest for production licenses granted by the state and take the risks of strong state intervention and complete regulation of production, imports and exports? How did they try to counter the economic and political risks associated with investments in India during the two decades from 1950 to 1970? In what ways did German companies make use of their German origin to position themselves against other foreign competitors, who were also offering crucial technology to help foster Indian industrialisation?

While policymakers from West and East both saw India from the beginning of the 1950s until the early 1970s as the then most-important non-aligned country and expected that a ‘loss’ of India to either side could seriously set off the global geopolitical balance (and eventually counter West-Germany’s ‘Alleinvertretungsanspruch’ (‘claim to sole representation’) concerning the ‘German-Question’), the expectations of private foreign business towards India are less known. Were the investments aiming to capture or even monopolising sectors of the Indian domestic market due to their expected technological superiority or was India part of a broader strategy to increase presence on other Asian markets, too?

The paper argues that India, in the eyes of German companies and its management, throughout the period from 1950 to 1970, remained attractive because of expectations of a future market that would be lost by the year 1980, 1990 or 2000 if one did not invest early enough. Early cooperation with Indian business partners provided close contact with the market. With a view to the claim that despite regulation and the associated risks in India not investing in India would be foolish, companies from different nations engaged in short and mid-term cooperation in order to bypass restrictions and develop their respective market segments with less competition. This led the companies to foster starting around the late 1960s and even in the troublesome decade of the 1970s. German reputation – not only in terms of technology and quality – but also through good political relationships between both countries based on relatively high and continuous sums of development assistance, as well as lacking Indian associations of German firms with colonialism were two elements for this success. In this regard, German firms provided a viable alternative to US-style capitalism, ‘free enterprise’ or British collaborators with a colonial past. With well-established joint ventures in the automobile and chemical sectors, the firms publicly highlighted their contribution to Indian development, called for continuous support from their home government during phases of strict economic regulation and macroeconomic crisis while attaining their first positive business results at that same time beginning in the late 1960s.
References


