The Political Opportunity of the Outsider: Firm Strategy in the Context of Decolonization

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Abstract:

This paper examines the political strategies of two German firms—Siemens and I.G. Farben—in interwar India as a way to consider how multinational enterprises (MNEs) deal with political risk. The interwar period was characterized by rising political risks throughout the global economy, as conflicts between developed national economies rose in the wake of World War I, as anti-colonial and communist movements gained ground, and international monetary instability increased. Yet, far from retrenching from the global economy, German MNEs capitalized on the growing political risks by developing political strategies and cultivating political capabilities that allowed them to successfully pursue international markets in geopolitically turbulent times. Identifying their mechanisms and viewing them longitudinally shows MNEs as political actors, not just adapting and dealing with novel political contexts but actively shaping political identities and processes of legitimization. This paper uses this case to argue for a rethink of political risk in international business, to regard it as a source of political opportunities that multinationals can capitalize on, and not exclusively as a source of liabilities that need to be managed.

Keywords: political risk, multinationals, decolonization

I. Introduction

How do firms respond to changing political environments under conditions of uncertainty and ambiguity? The wider political environment is increasingly perceived as fast shifting and hard to predict, forcing businesses to face disruptive changes as they pursue their global interests. "Political risks" (Kobrin 1982) and how MNEs deal with them have long been a topic of research in international business. They are usually examined using one of three theoretical approaches: (i) the bargaining power approach, which emphasizes negotiated settlements between foreign firms and host governments; (ii) the institutional approach, which focuses on the question of how well or poorly host-country institutions protect MNEs from political interventions; or (iii) the legitimacy-based approach, which focuses on the processes by which host- and home-country political stakeholders determine the political legitimacy of MNEs and their actions (Stevens, Xie et al. 2015). Common to all three approaches is a primary focus on potential conflicts and diverging interests between political stakeholders and the economic interests of foreign MNEs.

This paper takes a different approach by examining how political changes create opportunities as well as threats for MNEs, and how firms engage in political processes to take advantage of such opportunities. Approaching geopolitical change from the perspective of the opportunities it creates for MNEs raises a different set of research questions than an approach from the perspective of the liabilities created by foreignness. Rather than focusing on geopolitical and national risks as factors to be mitigated in order to limit political interference, it raises questions of how MNEs as political actors engage geopolitical dynamics in order to compete against rivals, to tap into new markets, and to cooperate with political stakeholders in achieving political as well as economic ends.

To explore these questions, I examine the efforts of German MNEs to compete for a share of the market in British colonial India during the interwar period. In the international business historiography, the interwar period is typically seen as an era of rising political risks that contributed to the collapse of the "first" (turn-of-the-century) global economy and the retrenchment of multinationals (Jones 2005, Fitzgerald 2016). German firms faced, in many regards, particularly harsh political setbacks during this period; the loss of the country's already limited colonial empire combined with a devastating defeat during World War I and massive domestic political turmoil hardly created a political environment conducive to expansion in international markets. Yet, rather than retrenching, German multinationals—especially the firms Siemens and I.G. Farben (I.G.)—engaged in political processes that capitalized on the shifting set of political risks in order to bolster their presence in an important international market, like colonial India. Both firms not only managed to expand their share of the Indian market significantly during the period, but did so by capitalizing on the changing political situation and rising political risks of engaging in international business during the era. How did they manage to do so?

I argue that in order to understand their strategy we need to examine German MNEs as political as well as economic actors who recognized and built on their position as political outsiders to colonialism in order to gain political and economic advantages in late colonial India. German firms did so not only by positioning themselves as an alternative to British hegemony, but also by developing political capabilities to understand and capitalize on the rise of Indian nationalism, and by focusing on economic changes in areas of resource complementarity with an eye to political as well as economic ends. Far from retrenching from the global economy, German MNEs used such political strategies to capitalize on the growing political risks, which allowed them to successfully pursue international markets in geopolitically turbulent times. This case, I suggest, has significant implications for both how we understand the historiography of international business during the interwar period and how we conceptualize political risk and its consequences.

This paper first reviews the literature on political risks in international business, and argues for a need to explore how risks create opportunities as well as threats for MNEs. It then introduces the cases of Siemens and I.G. in India, and the historical context of interwar international business as a particularly good example for studying the processes by which MNEs have engaged in political opportunism. The case that follows begins by chronicling the devastating impact of World War I and its aftermath on German MNEs, how they and Indian nationalists built political and economic bridges out of their common defeat by the British, and how they developed political strategies and built political capabilities in order to strengthen their position in India. This case documents the growing strength of Siemens and I.G. in India until the eventual outbreak of World War II made these strategies untenable. The discussion and conclusion draw out the historiographical and conceptual implications.

II. Literature review

Several theoretical approaches have addressed the issue of political risk, notably (i) the bargaining power, (ii) the institutionalist, and (iii) the legitimacy-based approach. The bargaining power approach focuses on the changing relationship between foreign MNEs and host governments. An MNE in a host country has bargaining power based on its resources or ownership-specific advantages. A host government, on the other hand, has bargaining power based on its control of market access as well as location-specific advantages (Poynter 1985, Boddewyn 1988). An MNE's bargaining power is likely to erode over time because fixed investments cannot be recovered—or only with significant losses—and the MNE's technological and managerial capabilities can increasingly be imitated by local competitors so that the host government becomes less dependent on the MNE's contribution (Vernon 1971, Vachani 1995). Political risks are likely to increase when a government's bargaining power increases. Moreover, researchers have identified mechanisms through which firms can maintain their bargaining power, such as leveraging greater intangible resources (Poynter 1985, Gomes-Casseres 1990, Vachani 1995) or capitalizing on hailing from a powerful home country (Ramamurti 2001). Game theory has been applied to explain the dynamics of the obsolescence of bargaining power over time (Veugelers 1993, Combe and Mucchielli 1998).

The institutionalist perspective shifts the focus to the political constraints on a government's ability to change existing policies. The more constraints there are, the more protected are foreign investors from unwanted government intervention (Henisz 2000). The institutionalist explanation highlights differences between host countries and thus has been associated with MNEs' location choices. The focus on the macro-level of political institutions makes this approach well suited to discuss cross-country differences.

The legitimacy-based approach focuses explicitly on MNEs' legitimacy in host and home countries. It argues that legitimacy is an important prerequisite for successful business operations (Bitektine 2011, 152), and criticizes traditional political risk theory as deterministic (Henisz and Zelner 2005) and undersocialized (Jones 1993) because it does not examine governments' motives for intervening in MNEs' operations. The legitimacy-based approach explicitly highlights that MNEs face conflicting demands from key stakeholders at home and abroad (Kostova and Zaheer 1999, Scherer, Palazzo et al. 2013). Actions abroad can have a direct effect on legitimacy at home, as for example in the case of Yahoo's and Google's operations in China, which were perceived by home-country stakeholders as conflicting with American values (Stevens, Xie et al. 2015). Importantly, the legitimacy approach highlights that governments intervene selectively. When host countries perceive the MNE's action to be congruent with goals of the local economy, they are less likely to intrude (Kostova and Zaheer 1999, Marquis and Qian 2014).

The three approaches to political risk highlight different aspects of the relationship between MNEs and host countries and can complement one another. However, all three focus primarily on adversarial relationships between MNEs and host governments. The bargaining power approach departs from the premise of goal divergence between foreign MNEs and host-country governments and focuses on restrictions on foreign MNEs, most often in the primary sector. Because it is "exclusively focused on location constraints" (Combe and Mucchielli 1998, 193), it struggles to explain selective government intervention (Henisz and Zelner 2005, Stevens, Xie et al. 2015). The political institutions approach is similarly focused on the power of government to intervene but less concerned with its motivation. For the most part, it addresses an aggregate country level look at foreign business as a monolithic group, uniformly affected by the political institutions of the host country. However, it cannot address industry or firm-specific government intervention or, equally important, non-intervention (Luo 2001). The legitimacy-based approach has more room for discussing choices when it comes to governments intervening in foreign business operations. However, it also approaches the issue foremost from the perspective of governments and political stakeholders rather than firms. MNEs, it argues, face conflicting demands from key stakeholders at home and abroad and respond to them to the best of their abilities (Stevens and Shenkar 2012). Thus, all three approaches highlight defensive rather than proactive strategies. Political strategy is limited to reacting to a set of constraints and implementing defensive action. Indeed, political environments create costs. However, the literature has little to say about the evaluation of such costs against potential business opportunities (Boddewyn and Brewer 1994). Although several scholars, notably Dunning (1997) and Stopford (1994), have theoretically noted the importance of cooperation with host governments, the process of developing cooperative relationships is less understood. The potential for firms to create value or seek competitive advantages through political strategy remain obscure.

The literature on corporate political activity within domestic markets is much more explicit in its consideration of political opportunities, but its application to international business is limited (but see Boddewyn and Brewer 1994, Luo 2004). There is potential for linking international and domestic business literature more closely. Scholars of corporate political activity have particularly focused on firms' motives for political engagement as well as creating an inventory of their political tactics (Hillman, Keim et al. 2004, Oliver and Holzinger 2008). The most neglected area of research is deemed to be "internal procedures and routines related to effective implementation of CPA [corporate political activity]" (Hillman, Keim et al. 2004, 846). To fill this void, Oliver and Holzinger (2008, 514) call for "case studies of effective firms in highly political environments in order to determine how they embed their knowledge of coping with political change into ongoing operating routines."

Historical research can help explicate the evolutionary process of addressing political environments from a firm's perspective, and highlight actors' rationale and their evaluation of the costs and benefits of political contexts. Several scholars have called for a greater integration of history in both strategy and international business research (Jones and Khanna 2006, Ingram, Rao et al. 2012, Murmann 2012). By tracing firm behavior in different highly political environments, both geographically and in terms of time, history can unpack the mechanisms through which political strategy has developed, and how it was implemented into internal procedures and corporate structure. A long-term analysis, moreover, can capture political turning points and explore how firms addressed them. For example, Bucheli and Salvaj (2013) show, based on the historical case of ITT in Chile, that whenever political institutions change, the beneficiaries of preceding systems will be considered illegitimate by those benefiting from the new, triumphant, system. Understanding political legitimacy as a dynamic concept is an important contribution and points towards a more holistic approach to strategic political management.

III. Research design

The historical case of German MNEs in colonial India and the context of interwar international business are insightful for studying the processes by which MNEs engage in political strategies. It captures the moment in time when systematic political risk management first emerged. Historians have marked World War I and the Great Depression of 1929 as the end of laissez-faire economic systems (Findlay and O'Rourke 2003, Jones 2005). The worldwide economic depression set the scene for state-led inward-looking protectionism. In response, some MNEs developed sophisticated organizational structures designed specifically for mitigating political risks (Kobrak and Hansen 2004, Kobrak and Wüstenhagen 2006, Jones and Lubinski 2012). The peculiarities of twentieth-century Germany meant that German MNEs were especially vulnerable to political risks. Two world wars and four fundamentally different political systems, including the Nazi regime, made the management of governments and politics a particularly urgent need for German MNEs both at home and abroad (Jones and Lubinski 2012).

India is a useful context for exploring the outcomes of German MNEs' early political strategies. As German business was handicapped in many Western markets after World War I and the war-related expropriations, it turned its attention to less developed markets. In India, they were faced with the political environment of decolonization, one of the frequently cited risks for international business. In fact, the contested dynamic relationship between colonial and postcolonial governments on the one hand, and foreign business on the other is one of the most prominent topics in the historical decolonization literature (Tignor 1998, Stockwell 2000, Decker 2008, White 2012). Political scientist Rawi Abdelal (2001) shows that in newly independent states political stakeholders sometimes prioritize the long-term goal of economic autonomy even at the expense of short-term economic sacrifice. For businesses, the same willingness to suffer through short-term economic sacrifice may create business opportunities for those MNEs that can claim an outsider position vis-à-vis the illegitimate previous regime. Looking historically at the case of German MNEs in India shows under which conditions these political strategies emerged and helps to untangle the processes by which outsiderness came to be used strategically.

The analysis is based on material from corporate archives in a framework of sources from German, British, Indian, and US government archives (see appendix). To achieve the necessary depth of analysis, I will concentrate in particular on two firms: the electrical company Siemens; and the chemical company Bayer, which in 1925 became part of the I.G. conglomerate. These two were chosen because they were pioneers in business with India (for details see Table 1) and came from industries with great relevance for the development of the national economy (machinery/electrical plants for Siemens and chemicals/dyes for Bayer). Through historical analysis I first explore the phenomenon of outsider strategies and unpack the mechanisms by which firms gained strategic advantages. I consider when and how outsiders managed to leverage their status. Building from the case, I then rethink some theoretical propositions and suggest future avenues of research (Eisenhardt 1989). I conclude by discussing the implications of this research for wider debates on corporate responses to political change.

IV. Outsider opportunities

At the end of World War I, the German economy lay in shambles. Previously successful German MNEs faced a series of new obstacles. The Peace Treaty of Versailles cost them business-relevant resources, including patents, territories, and sovereignty. The reparations that Germany was supposed to pay were seen as a national humiliation, and British economist John Keynes predicted that they would economically destroy Germany. War-related expropriations crippled German MNEs further. In Russia during the 1917 revolution and in the US, UK, and France, including their partners and colonies, German business was sequestrated. Most importantly, the war had allowed competitors to take over market shares previously held by German business. Most industrialized countries had invested in building and expanding their own industry during the war, with the aim of minimizing dependence on other countries (Wilkins 2004, Fitzgerald 2016).

Both Siemens and Bayer bore the consequences of this development. Siemens' manufacturing facilities in England and Russia, from where it had conducted much of its export business, were fully expropriated. Bayer's profitable export trade in dyes, which generated 82 percent of sales in foreign markets, came to a hold. Expropriations of affiliates—such as the Indian subsidiary, founded in 1896 (202/16, BA)—and patents destroyed its strong market position. The German dye industry's overall contribution to world production fell from 88 percent in 1913 to 46 percent after the war (4/B 14.3.6, BA). The previously important markets of the USA, Great Britain, and France (see Table 2) expanded and politically protected their local industries. As early as 1920, the US produced 96.3 percent of its own domestic need for dyes, France 77 percent, and Great Britain 83.1 percent (United States Tariff Commission 1922), with production capacities rising over the following decade. The war had left German MNEs a shadow of their former selves.

Discovering opportunities in the developing world

With the more industrialized markets able and eager to manufacture necessary products at home, and the Russian market closed after the revolution, German business was forced to turn to less developed countries. Siemens' first major contract after the war was to build a hydroelectric power station for newly independent Ireland during the years 1924 to 1929. An Irish engineer, T.A. McLaughlin, who had joined Siemens in Berlin in 1922, developed the concept and presented it to the Irish Free State government. The scheme was heatedly debated with opponents objecting to its size, but also to the German origin of the manufacturer. In July 1924, the British *Daily Mail* warned against "German Intrigue in Ireland − Bid for Economic Control". However, Irish nationalists, such as Patrick McGilligan, considered the choice an important step in bolstering the country's economic independence from Great Britain (Bielenberg 2002). Celebrated as the project that brought light to a largely unindustrialized nation and demonstrated Siemens' technical ability to the world, the Irish power station established a strategy of targeting countries in need of assistance with electrical development free from the influence of firms from more threatening powers (Feldenkirchen 1999, 264-267). Similarly, the German dye industry looked towards the Asian markets, China, Japan, and India, which were already key importing countries before 1914 (see Table 2) and were still open to German imports. In December 1925, Bayer and five other German chemical manufacturers formed I.G. Farben, a chemical giant with large production capacity. The merger further increased the need for markets abroad (Hayes 1987, Plumpe 1990).

Rebuilding international business was not without challenges. In India, the British authorities kept up a travel ban for Germans until 1925. However, while German business was looking for markets, India sought trade partners that could deliver products it could not yet manufacture itself. Thanks to this alignment of interests, Indians took the initiative and went to Germany in search of an alternative to firms associated with their colonial overseer. As early as 1921, Bayer hosted J.C. Das Gupta, a representative of several Calcutta-based companies open to negotiate with the Germans in their eagerness to become independent of British trade. According to an internal memo, Das Gupta tried "to lay the ground for the many Indians who now arrive daily in Hamburg" (9 K 1 Visit Das Gupta, 1921, BA). Other businesspeople reported Sikh buyers roaming the country to buy much-needed goods for sale in India (Lohmann 1934, 43).

Indians turned to Germany because they saw a potential partner with similar anti-British feelings, hardened by loss in the war and humiliation in the peace. According to Bengali economist Benoy Kumar Sarkar in 1926, India was interested in Germany because it was the most modern and advanced late developing economy of Europe, and was thus a model for India. It also provided lessons and knowledge that a powerful early developer like Great Britain never could. But Sarkar's reasoning was based as much on a sense of India and Germany's common identity as victims of British power as it was on the practical knowledge that Germany could provide. "[T]he treatment that Germany as the halfway house to a dependency or a colony has been receiving [at Versailles] … is absolutely identical with what Asians and Africans have been used to obtaining from Eur-Americans … All this treatment is a corollary to colonialism" (Sarkar 1926, 35). Along similar lines, the nationalist German historian Oswald Spengler pointedly referred to Germany as "a European India" (Spengler 1924, 14).

The Politics of differentiation

Although politically weakened, Indians knew that Germany was capable of providing industrialized goods, which India was not yet able to manufacture itself. Even before World War I, Germany had steadily increased its exports to India. Britain had clearly dominated the trade, accounting for 78 million GBP (c.379.86 million US-$) in 1913, compared to 11 million GBP (c.53.57 million US-$) from Germany and Austria (Great Britain Trade Commissioner for India 1919, 9). However, Britain grew increasingly concerned over the emerging German competition (Government of Great Britain 1897) because it quickly gained a foothold in important industries, such as metals, cotton and wool manufacture, dyes, hardware, machinery, and oils (see Table 3.) Siemens was furthermore responsible for one of the biggest infrastructure projects, a transcontinental telegraph line from Britain to India over a distance of 6,835 miles built between 1865 and 1870 (68 Li 156, SAA).

Both Bayer and Siemens had first entered the Indian market through British business contacts and subsidiaries in Britain. Siemens had conducted its prewar India business via its subsidiary in Britain, headed by the founder's younger brother (Letters Werner and Wilhelm Siemens, SAA). Bayer had hired Charles Vernon, a former employee of the British firm Graham & Co., to head the wholly-owned subsidiary Bayer & Co. Ltd. in Bombay (Bayer 1918). Their entry strategy had been to imitate the British first movers, and as a consequence British observers found that "the study of German methods in Calcutta presents no illuminating features" (Great Britain Trade Commissioner for India 1919, 10).

While German and British business models closely resembled each other, the German late movers almost accidentally discovered a differentiation strategy based on politics rather than economics. Several German and other non-British MNEs, profited from the hostility towards Britain in the region of Bengal. The partition of Bengal in 1905 intensified an ongoing movement for nationalist resistance against British rule, including a call for boycotts of British products. The Swadeshi (of/from one's own country) Movement called on Indians to consume indigenous goods rather than imported ones (Goswami 2004, 242-276). Importantly, early activists argued that as long as India was dependent on foreign imports, they should come from countries other than Britain (Aurobindo 2002, 852 [speech 1903]). Consequently, non-British business in India profited from the boycott and the Inspector General of the Police of Bengal observed in 1905: “A distinction is being made between English and Continental goods, adverse to the former” (Report on the Agitation, POL. (Pol.) F. No. (J)/1905, West Bengal State Archives).

Non-British origin could be cultivated into a competitive advantage in the context of growing anti-colonial sentiments. German MNEs explored three sets of politically motivated tactics to best exploit this emerging opportunity: investment in education, cooperation with Indian nationalists, and country-of-origin labeling. Education and training were considered crucial for the development of India’s own industry, and were symbolically important as a way of differentiating German firms from British counterparts when it came to interacting with Indian firms and the Indian public. German MNEs’ investment in Indian education had both economic and political motives: they trained potential future employees in a context of scarce-qualified labor and at the same time made the point that German MNEs supported the development of India’s own economy. Bayer engaged in one of the earliest educational projects in the princely state of Baroda, which had a history of anti-British protests. The chemical company financially supported the establishment of an industrial school, the Kala Bhavan, focused on applied sciences. Training centers for dyers were opened in several locations and many of the students were later employed by Bayer in its India business (Bayer 1918, 400, Raina and Habib 1991, Bhagavan 2002). The local ruler, the Gaekwad of Baroda, continued to stay in close contact with several German MNEs. He invested in expanding the Okha harbor as an alternative to the harbors on British territory (Lohmann 1934, 27-28). In 1931, he visited Siemens in Berlin and reported on the political advantages that German investment goods had in India (Memos of the visit of the Prince of Baroda, 7 Aug. 1931, 8109, SAA). Several German MNEs sponsored Indians to undertake industrial training with them in Germany (Directory Foreigner, SAA; R 104777 Memorandum Hentig 17.12.1937, PA). In a 1929 publication by the Indian Information Bureau, an organization of diaspora Indians in Berlin, the ease with which Indian students were admitted to German factories was highlighted as a major difference to Great Britain, where admissions were rare and extremely costly (R 77462 “Education in Germany”, PA).

Symbolic partnerships with Indian nationalists further highlighted Germany's sympathy towards the nationalistic agenda. Both Siemens and Bayer increased the number of Indian employees in their firms and selected known nationalists as their partners. When Siemens founded its first wholly-owned subsidiary—Siemens (India) Ltd.—in 1924, they gave a seat on the board to Lala Harkishan Lal, a prominent Indian nationalist (Board meeting 24 Dec. 1924, 8156, SAA.) Lal was a well-connected entrepreneur of the Punjab, who, in the spirit of swadeshi, floated several financial companies providing capital for indigenous businesses. He contracted Siemens to build a model power station in Lahore for nearly 1.5 million rupees (c.476, 191 US-$). The plant became an often-visited advertisement for the German firm and a publicly visible symbol of cooperation. Lal had strong ties to the Indian National Congress (INC), the leading organization of the Indian independence movement. In 1919, he spent several months in prison for conspiracy against the British (Gauba 1938). Siemens' managers considered themselves lucky to have him as an expert with a strong social network in India (letters, 8156, SAA).

To publicize the contribution German MNEs made, political labeling became an important tactic. Bayer prominently displayed "German make" on its advertisements, and the Bengal police reported a case of fraud in which English goods were being sold successfully as "Made in Germany" during the swadeshi uprising (Report on the Agitation POL. (Pol.) F. No. (J)/1905, West Bengal State Archives). The Foreign Office in Berlin received news of a Bombay trader of machinery whose fixtures were rejected because they were not visibly marked "Made in Germany" (Letter Kapp to Foreign Office, 30 June 1927, R3101-21030, PA). This ran counter to the initial intention of the "Made in Germany" label, which had been forcefully introduced by Great Britain in the Merchandise Marks Act of 1887 and stipulated that goods had to be marked with their country of manufacture "to protect the consumer from being induced to purchase inferior foreign goods under the impression that they were manufactured in England" (Government of India 1902). As a late industrializer, Germany at the time had a reputation for low-quality products and British manufacturers had regularly sued German competitors for imitating their products to make them look British made (Lohmann 1934, 40-41). The change in political context turned the label from a stigma to a competitive advantage and made German managers reframe their strategy. Rather than imitating the British pioneers they now drew home-country-specific lines of distinction. “Made in Germany” allowed them to publicly declare their status as outsiders to colonialism.

Political strategies at the time of the Great Depression

With the Great Depression of 1929, import-export activities became even more politicized. Agricultural prices plummeted, and orthodox financial and monetary policies in India aggravated the situation. The government resorted to additional taxation, levying a general surcharge of 25 percent on all existing taxes. For a limited time, between 1933 and 1936, Britain enjoyed privileges based on the regime of imperial preferences, which taxed products from within the British Empire at a lower rate than products from elsewhere. For the majority of products, the norm was 20 and 30 percent respectively; for machinery the rates were set at 12.5 and 17.5 percent (Ottawa results, 8109, SAA). More threatening for Germany were the changes in the international monetary system. In 1931, the British pound departed from the gold standard, while the Reichsmark remained linked to gold. Consequently, the Indian rupee depreciated relative to the Reichsmark, making exports less profitable. The German government, in desperate need of foreign currency exchange, expanded its export subsidies and increased state control of imports and exports (Tooze 2007, 71-86).

However, the Great Depression also triggered new boycotts against British goods in India. The Civil Disobedience Movement (1930–1932) and Gandhi’s famous salt march increased the illegitimacy of British goods (Gordon 1978, 210-218, Markovits 1985, 72-76). British colonial intelligence reports highlighted that “Congress made it perfectly clear that they were mainly interested in the boycott of British goods only … as a political weapon for the emancipation of India.” They quoted speeches by Indian nationalists calling to buy products “made in any non-British country” even if they were costlier than British alternatives (Note by Director of Intelligence Bureau 16 Febr. 1931, Home Dept., Pol. 33/6, NAI).

Industries that were sensitive to economic nationalism thus held the greatest opportunities for German rivals. Siemens successfully sold machinery to spinning mills because of their perceived proximity to the INC (Siemens India, 31 March 1932, 4286, SAA). The outspoken protest against foreign cotton piece goods was directly related to the positive development of spinning mills in those years. Although Gandhi was a strident opponent of industrial spinning mills and instead argued for a reformed lifestyle symbolized in the wearing of khadi, uncolored homespun cloth, his radical vision was never a consensus within the INC. Increasingly, not least under the pressure of Indian industrialists who supported the movement financially, he softened his position. By 1930, the distinction between handmade and industrial products, central to Gandhi's thinking, was largely set aside. The efforts of the congress focused on "squeezing British firms out of business," reported Frederick Hugh Sykes, governor of Bombay until 1931, in a letter of March 19, 1932; "The cotton market generally is intimidated by the Congress and few dare to deal openly with the boycotted firms." On the other hand, non-British foreign firms did not have to "perform any positive act of boycott in order to obtain from Indian firms the business which would otherwise have gone to their British competitors." (Hom Dept. Pol. Branch, 33/6, NAI).

In the context of this development, the British chemical company ICI joined a cartel of German, Swiss, and French dyestuff makers in 1932 that had been in the making for several years. ICI lobbied for a quota based on the weight of dyestuffs sold by all makers within the British Empire, but not territorially confined to it. This was unusual for ICI, which in almost all previous international negotiations had demanded territorial monopoly within the Empire, leaving the rest of the world to foreigners (Coleman 2006, 54). However, I.G.'s dyestuff imports into India had grown from 34.4 percent (1920/21) to 70 percent (1929/30), while the US share also increased from 7.4 to 11.4 percent. These gains were at the cost of British competitors whose contribution fell from 33 to 7.4 percent (Reader 1970, 439, Plumpe 1990, 118). The cartel agreed on a quota for I.G. of 65.5 percent and ICI of 8.43 percent. It controlled about two thirds of the world's dye market (by value), but competed with US, Russian, and Japanese manufacturers as well as some British and Dutch independents (Plumpe 1990, 197-199, 455, Coleman 2006, 54; World Dye Production 54.B.14.53.56, BA).

The new focus on managing politics also triggered organizational change. I.G. developed a complex of offices in Germany, known collectively as Berlin NW 7, after their postal address. NW 7 included two offices–the *Volkswirtschaftliche Abteilung* (Economic Department) and the

Wirtschaftspolitische Abteilung (Political Economic Department)–dedicated to political strategizing and monitoring the development of the political economy at home and abroad. Both departments had close personal ties to the German government. The staff of the Economic Department, including its chief Anton Reithinger, came from the German Statistical Office. Its reports circulated among interested ministries and private organizations. The Political Economic Department was formed in 1932 as a specialized unit of the Central Committee, the inner circle of top executives of the managing board. It dealt with the latest political developments, foreign trade, and relationships with domestic or foreign government agencies. Its leader, Heinrich Gattineau, had studied under Germany's most prolific India specialist Karl Haushofer at the University of Munich (Hayes 1987, 29-31). Together NW 7 responded to the need for more detailed knowledge of foreign economic and policy developments and greater influence over government policy. NW 7's chief Max Ilgner stressed in 1936 that "it is the duty of our leading men outside of Germany to convey their general knowledge to all Government establishments … such cooperation is of mutual advantage" (Division of Investigation of Cartels and External Assets 1945, 88).

Departmental activity included studies of foreign newspapers and government reports as well as frequent travels to the countries where I.G. conducted business. NW 7's leading managers traveled to many foreign markets, particularly those with strong nationalism, to gather intelligence for strategic political positioning. While Reithinger became an expert on Indian nationalism after a lengthy fact-gathering mission in 1937/38, Ilgner pitched the potential contribution that I.G. could make to local economic development to Mexican state and government officials, highlighting that an increase in purchasing power and development profited German export interests and suggesting joint ventures between Mexicans and Germans with a 60 percent Mexican share (Report about Ilgner's visit to Mexico, 15 Dec. 1936, GCD, roll 3185, NARA). NW 7's publications included import-export statistics, legal dossiers on expropriations, strategies for cloaking, reports on specific market conditions (e.g., for dyes in India (1921)), a dossier on the development of the value of the Indian rupee (1938), the historical development of India's emerging chemical industry (1942/43), and various clippings from local Indian newspapers (81/1, India General, BA).

Over time, NW 7 developed into a major intelligence unit for political strategizing. Its total expenses grew from less than US-$ 0.4 million in 1932 to 2.8 million in 1943. German governmental agencies relied heavily on its reports, which drew on the experienced NW 7 staff and I.G.'s sales network around the world. In 1937-38, the Economic Department became Germany's central agency for collecting and correlating economic intelligence and a recognized collaborator of the Statistical Office, the Reichsbank, the Foreign Office, and the ministries of Economics, Agriculture and Finance (Division of Investigation of Cartels and External Assets 1945).

Home country challenges and MNEs' responses

The timing of these investments in the management of politics was impeccable. With the rise to power of the Nazis in Germany in 1933, new political challenges emerged. Increasingly, the Indian press reported that selected Nazi leaders, including the Chancellor of Germany Adolf Hitler, publicly disapproved of the Indian independence movement. Incidences of street violence against Indians in Berlin further damaged Germany's image (Letter 20 July 1933, R 77416, PA). German managers in India feared that home-country politics would threaten their outsider strategy. Together with the German Consulate in Calcutta they coordinated their counter efforts. This was crucial, they argued, "because the Indian has an inferiority complex vis-à-vis the white race." Collectively, they identified Indian news outlets and fed them English-language articles that took a Germany-friendly stance (Letter Consulate Calcutta to Foreign Office, 7 June 1933, R 77416, PA).

In addition to these collective propaganda efforts, both Siemens and I.G. also countered the home-country difficulties individually. Just two months after Hitler took office, Siemens expanded the number of posts on the board of directors "because we have an interest in appointing relevant Indian personalities" (letter CVU to Siemens India, 15.3.1933, 8156, SAA) and increased Indian employees' salaries (Business Report 1938/39, 8133, SAA). Oswald Urchs, manager of I.G. in India, even went as far as to make comparisons between Nazi Germany and the Indian nationalist agenda. He gave a lengthy speech in India in September 1933 and had it circulated widely through the consulate and the Indian press. Urchs highlighted (allegedly) connecting threads between nationalistic India and Nazi Germany, such as (i) a focus on community rather than “limitless individualism”, (ii) the glorification and support of peasants and workers, and (iii) the need to unify the nation comprising numerous heterogeneous states. Although ill-fitting, he used Indian terminology, such as “caste” and “dowry”, to describe recent developments in Germany, thus creating a common language. He stressed those achievements of the Hitler regime that could serve as responses to socio-economic problems in India as well, such as laws that cap the profits of middlemen or enable investment in industrial machinery (Urchs’ speech, 13 Sept. 1933, R 77416, PA).

These strategies, at first, seemed to allow continuous growth. With the new cartel agreement in place, India turned into I.G.’s single most important foreign market for dyes in the late 1930s (Plumpe 1990, 571). For Siemens, India became its second largest overseas market after Argentina, accounting for 18 percent of total overseas sales in 1937/38 (8150, SAA; table 4). This is even more remarkable considering Siemens’ products were generally expensive compared to competitors. Internal reports show that Siemens lost 51 larger contracts in the business year 1938/39, 25 of which were because their prices were higher than competitors. Price and long delivery times were the most frequent reasons for customers to decide against Siemens (Business Report 1938/39, 8133, SAA).

With the importance of India as a growing market, both Siemens and I.G. increased their information-gathering efforts. I.G. sent Reithinger to India in 1937/38 (Travel reports, 191/1/3, BA). He met with British colonial officials, Indian nationalists and German businesspeople and reported that both Indian and British stakeholders in the country were supportive of India’s development and considered the growing German imports a useful contribution. In machinery, hardware, iron, steel, and chemicals (see, table 6), German imports were growing at the expense of British market share.

Reithinger collected information on regional differences and found that, in particular, in Bengal and the United Provinces, Indians tried to exclude the British from economic transactions and actively sought German and Japanese alternatives. He also highlighted that the increasing number of newly appointed Indian civil servants in administrative positions often bought German products as a way of supporting their political agenda. India’s new constitution of 1935 had introduced a larger measure of autonomy to the provinces of British India, direct elections, and more elected Indian representatives. The INC had scored impressive victories in the provincial elections, including an absolute majority in six of the eleven provinces in 1937 (Markovits 1981). In these provinces, Indian civil servants now decided about public contracts.

Finally, Reithinger found race to be a major issue for business in India. He considered it a great advantage that "our people do not represent a 'superior/dominating people' [*übergeordnetes Herrenvolk*] but can rather act as friends on the same societal and personal level" (Travel reports, 191/1/3, BA). Home-country developments, however, challenged this interpretation. A speech by Adolf Hitler in 1936 claiming that it was "the calling of the white race to dominate over colored people" infuriated the Indian public (Report R 98706, PA; Letters 6 and 10 Febr. 1936, R 77418, PA), leading to major protests against Germany and calls for boycotts of German products.

In this already politically charged environment, the Nazi Foreign Organization suddenly challenged I.G. on the racial composition of its workforce in India and requested proof of the "Aryan" descent of its employees ("Confidential Note," Dec. 1938, 330/1114, BA). A total of 909 employees worked for I.G. in India, of whom seventy-six (8 percent) were Europeans. I.G. worried about negative image effects, but eventually dismissed its Jewish employees (Series of letters and "Confidential Note", Dec. 1938, 330/1114, BA). However, Urchs and other I.G. managers silently bypassed the question of whether Indians should be considered "Aryan."

Indeed, the concept of Aryanism has its roots in Vedic (ancient Indian) tradition. German intellectuals in the interwar years claimed that Indians and East Iranians together with Germans composed the Aryan community. However, this was never openly confirmed or denied by the Nazis. In fact, one of the first anti-Jewish laws in Germany, the "Law for the Restoration of the Professional Civil Service" of April 7, 1933, called for the early retirement of non-Aryans, and in an accompanying order defined Aryans as Westerners or "Eastern (Asiatic) races, i.e. Indians (Hindus) and Iranians" (Sieferle 1987, 461). The idea of a joint Indian-German community was alluring and also penetrated Indian nationalistic writings of the time. An article in the nationalist newspaper *Amrita Bazar Patrika* reminded readers that the Germans "have reverence for our race and country as … they claim to be belonging to [the] Aryan race [and] have adopted the

‘Swastika’ as their national symbol” (*Amrita Bazar Patrika*, 24 Nov. 1934, 12). I.G. did not openly engage in these debates but held on to their Indian employees until the war broke out on September 1, 1939.

World War II abruptly ended German active business in India. Colonial intelligence reports noted that German firms generously compensated their Indian employees for their loss of service. “They [the Indian employees] are consequently inclined to regard the Nazi regime with favour” (IOR/L/PJ/12/506, File 1080(A)/36, IOR). German firms were concerned about their image and hoping to rely on these individuals again after the war. Wolfram Eitel, an experienced Siemens overseas manager, started planning for the postwar period in a memo of 1944 (Siemens Overseas by Eitel, Oct. 1944, 8188, SAA). He observed that the war gave a strong impulse to build local industries in India and several other overseas countries. According to Eitel, both British and North-American companies were too hesitant to support the building of national industries, “Their policy had always been to rather exploit them in a colonial sense.” By contrast, Siemens made every effort to seize the opportunity that the expansion of national industries offered. For Eitel, this included continuous investment in industrial training, in which many overseas countries had a special interest. Grooming foreign engineers would increase competition but at the same time familiarize locals with German technology and business, which eventually would benefit German firms. His observations and plans for the future considered a larger strategy for dealing more generally with markets “with strong nationalist movements,” not just in India, but also in other formerly dependent territories. It was the first time that a Siemens manager suggested a larger business strategy for countries with strong nationalist movements and aspirations for self-determination. He built on the premise that countries with a history of political and economic dependency on a highly industrialized country had common needs and aspirations that Siemens could exploit more fully if it developed a joint political strategy for these markets.

V. Discussion and theoretical implications

Political opportunity, past and present

Historical interpretation of the interwar period suggests that this period marked the end of the first global economy, when political barriers and rising liabilities of foreignness led to the withdrawal of international engagement by Western firms. Where MNEs remained active, they instituted risk-mitigating approaches, such as licensing rather than foreign direct investment. However, this picture is incomplete. The case of German MNEs in India suggests that they did not withdraw from global business but engaged in it in a new way, developing competitive positioning and capabilities that responded to the increasingly politicized world. I.G. and Siemens invested in India in vigorous and risky ways, at a moment when the historical narrative emphasizes collapse and retrenchment.

The Indian nationalist agenda pursued economic autarky and political independence as long-term policy goals. Nationalistically-thinking political stakeholders may very well have preferred achieving those goals independently and avoiding partnerships with industrially more advanced countries altogether. However, they pragmatically considered cooperation with selected partners, if they believed that it would help them reach their long-term goals. This set-up created opportunities for outsider firms to compete with rivals based on non-market factors.

The German outsider firms offered an alternative to Indian firms and consumers to the institutionally more proximate partners, the British MNEs. Their opportunity was based equally on (i) resource complementarity and (ii) alignment in aspirations. *Resource complementarity* describes the supply and demand side. India was then unable to produce many of the manufactured goods needed for industrial development and depended on foreign imports. It had a big but largely unskilled labor force in need of education and training. Germany was able to offer industrialized goods and education leading to a complementarity of Indian needs and German capabilities. At the same time, German MNEs were in need of accessible export markets after World War I. German MNEs and Indian political stakeholders were thus dependent on each other for critical resources, and cooperation created greater payoffs than non-cooperation.

The resource complementarity was supported by an *alignment in aspirations*. Germany was an economic—and with World War I also a political—rival of Great Britain. German nationalism challenged British supremacy in Europe. Germany advocated an alternative order for the European concert of power, and aspired to a greater economic and political role. Indian anti-colonialism and desire for self-determination challenged British hegemony in the Empire (Manela 2007, Manjapra 2014). Both sought to reframe the nineteenth-century world order dominated by Great Britain and were trying to reframe the existing political order at a time when the political coherence of Europe and the internal integrity of the British Empire were crumbling. These aspirational alignments, from the point of view of German MNEs, spurred legitimacy and cooperation with stakeholders in India.

Conceptually, this engagement in political opportunism extends the literature beyond political risk. Political environments present MNEs with many constraints. Yet, they also set the conditions that create windows of opportunity within which firms make choices about what objectives to pursue and how to pursue them. Firms may actively seek value from political interventions rather than interpreting them as a liability. Political opportunism emphasizes the role of firms as political agents engaging in shaping political identities and alliances, and developing the capabilities for doing so. It focuses on firms' ability to shape political processes of legitimization and deligitimization.

Outsider strategies

Thinking about outsiderness as a positioning strategy unbundles the process through which perceptions of resource complementarity and aspirational alignment are shaped as one area of MNE strategy. Resource complementarity was a building block of the outsider strategy. German MNEs focused on goods needed for the industrial development of India and invested in the education of a local workforce, which signaled political accommodation to host-country needs. To publicize resource complementarity, German MNEs employed a series of tactics. They labeled their products "German", engaged in symbolic and visible large-scale projects and nurtured close relationships with known nationalist insurgents, by appointing them to their boards or giving them the red-carpet treatment in Germany.

Industry and regional effects

Distrust towards Britain was not evenly distributed over different industries. While the political risk literature usually departs from the idea that country-level attributes are constant across issue areas, political scientists argue that political dynamics within a country differ greatly (Brewer 1992), resulting in within-country variation in political constraints (Lieberthal 1995). Political opportunities follow the same logic.

Industries receptive to anti-colonial sentiments were particularly well suited for outsider advantages. Goods deemed necessary for the development of Indian industry were assigned a nonmarket "nationalistic" meaning. Historians have shown how chemistry, for example, turned into a "subversive science" (Arnold 2000, 166), and a plethora of swadeshi activists engaged in businesses in that industry for political rather than economic reasons. Industries related to the cotton value chain considered buying products of non-British origin because of their perceived proximity to Gandhi and the INC. Once INC members took positions in political power, they too considered giving public contracts to German firms. Regional differences also mattered, suggesting that the country level may be too aggregated for targeted strategies. Regions with strong nationalism, such as Bengal, the United Provinces, and the princely state of Baroda, were particularly hostile to British interference and offered the greatest opportunities for outsider multinationals to develop a host-country base.

Dynamics and strategy reframing

While the bulk of the literature so far has discussed reasons why firms engage in political activities (Shaffer 1995), the historical approach is particularly well suited for examining the continuous work that managers had to do to readjust their strategies to changing political conditions. While German managers attempted to align their actions with political stakeholders' preferences, they were repeatedly called to reframe their strategies in the context of changes both in India and at home. MNEs thus had to constantly manage the perception of home-country politics within the host country.

When the Nazis came to power, public opinion turned against the regime and by association against German MNEs. German managers in India were not passive observers but took action to appease the Indian public and immediate political stakeholders through press campaigns. Building on previous aspirational alignment, individual managers attempted to highlight the similarities between the political aspirations of Nazi Germany and anti-colonial India. They even went as far as to rely on contemporary academic debates about the origins of the "Aryan community," a concept that was appealing because it gave both sides a common historical, almost mystical, origin. It is an example of suggesting commonalities through both "invented tradition" (Hobsbawm) and "imagined community" (Anderson).

This ongoing management effort included the development of capabilities—particularly knowledge- and relationship-based capabilities—for engaging in political alliance formation and understanding the range of politically legitimate transactions. I.G. hired several former government officials into NW 7, thus incorporating them into the internal hierarchy, which can be interpreted as an extreme form of strategic political alliance. This enabled the company to better manage a diverse set of political stakeholders, rather than focusing exclusively on government relations. Networking at home and in India facilitated information exchange and improved the analysis of the political environments. NW 7 clearly rivaled government intelligence services and by sharing its intelligence, I.G. invested in an ongoing social relationship with German authorities.

Although discussed as part of the theoretical agenda, political risk contributions so far have not engaged in a broader analysis of the political process with diverse stakeholders. This is relevant for several reasons. First, political scientists have long acknowledged that governments are not monolithic actors. There are competing voices within governments and the political agenda results from a negotiation process with several stakeholders in and outside of government. Second, the process of decolonization describes a shift in official government from colonial to postcolonial, increasingly assigning political influence and legitimacy to a new group of political stakeholders. Any process of regime or fundamental policy change challenges MNEs in their management of politics. However, if managed successfully, it is also an opportunity for realizing competitive advantages. Finally, focusing on legitimacy, which is socially constructed and continuously negotiated, it is necessary to depart from the government-centric analysis and include more political stakeholders and the interactions between them over time. Kostova and Zaheer (1999) argue that the political process between MNE and host governments affects legitimacy through the social construction engaged in by political interest groups. Bucheli and Salvaj (2013) and Abdelal (2001) show disagreements on foreign MNEs' legitimacy between important political stakeholder groups leading to conflicts over the right political approach towards them. Gaining legitimacy with one group of political stakeholders may result in a loss of legitimacy with another. I.G.'s decision to let go of Jewish employees was a response to a home-country demand but challenged its position in India. Holding on to its Indian employees was perceived positively in India but ignored the wishes of the Nazi Party. Such dilemmas require a holistic approach to stakeholder management in the political sphere (Henisz, Dorobantu et al. 2014).

Relative advantages and strategy making

The perception of resource complementarity is often relative rather than absolute. Host-country stakeholders will judge MNEs' contribution to local development relative to other foreign MNEs and the capabilities of domestic companies. They will also speculate on the political aspirations of the MNE's home country. Germany's role in world politics was part of the evaluation process and basis for the outsider strategy.

The relative judgment of MNEs from different home countries suggests that the focus on a dyad between a foreign firm and a host society may often be too narrow. The bipolar perspective cannot adequately describe the opportunity for German MNEs in India, which was based on their relative position. The more British business was seen as exploitative the easier German firms could present their business as *more* supportive of India's development. The outsider opportunity was based on the chance to displace incumbents from another country by capitalizing on its growing political liabilities. It involved geopolitical jockeying to position a firm's nationality as a source of legitimacy or cast rivals as illegitimate. The focus on bipolar home-host-country relationships conceals the relative advantages that MNEs may achieve when competing with others (Rangan and Drummond 2004).

The multipolar perspective impacts strategic decisions beyond individual host countries. German managers started to think beyond a single location to a political opportunity or outsider strategy that spanned more than one country with similar characteristics. Juan Alcácer et al. (2015) have shown that location choices are often linked, leveraging competitive positioning across geographic markets and time. This argument applies equally to political strategies that look beyond one individual market to the opportunities that relative competitive positioning conveys. In the realm of legitimacy, a more comprehensive political strategy is particularly important because pursuing conflicting strategies will strain MNEs' credibility. Managers should therefore be prompted to think about a more comprehensive management of political environments beyond single foreign markets.

Political opportunity over time

Legitimacy is an increasingly important factor in the political risk literature. Scholars suggest that its relevance to MNEs is becoming greater today. They argue that in the past, many governments, particularly in developing countries and former or recently transformed colonies, were generally hostile towards foreign firms. For that reason, the assumption that governments want to intervene in foreign MNEs' operations as much as possible was allegedly justified. However, in the present context, "government is increasingly looking at the attributes and activities of foreign firms " (Stevens, Xie et al. 2015) and the world is fundamentally shifting from largely adversarial government-MNE relationships to more cooperative bonds (Luo 2001, 401).

The historical data cautions against such argument on two accounts. First, it shows that governments' interest in the actual contribution of MNEs to host-country developments is not a new phenomenon. Clearly, Indian political stakeholders and the emerging government of the INC chose to intervene, but only selectively, in foreign MNEs' operations. They carefully considered MNEs' contribution to societal welfare. Looking more closely at specific government agendas at different points in time and how MNEs responded to them will help identify potential strategies going forward.

Second, focusing on legitimacy, it is particularly important to look at the relationship between foreign MNEs and political stakeholders over time, not just in the most recent period. Suchman (1995: 574) argues that legitimacy represents "an umbrella evaluation that, to some extent, transcends specific adverse acts or occurrences; thus, legitimacy is resilient to particular events, yet it is dependent on a history of events." Similarly, Kostova and Zaheer (1999: 74) note that the factors used to judge MNEs "may arise from long-established, taken-for-granted assumptions" about an MNE's home country; a factor which can only be examined through historical analysis. This suggests that events in the distant past may be more influential at times for understanding MNEs' legitimacy in a specific host country than more recent events. Understanding the relative value of historical events in specific host countries and political environments helps target business strategy more adequately and respond to market- and time-specific challenges.

VI. Conclusion

In a fast-shifting and unpredictable environment, the question of how MNEs engage with novel political situations deserves more attention. Firms have strategic alternatives available to manage their political environments. The historical case discussed here shows how businesspeople in the past evaluated the costs and liabilities of the political environment against potential opportunities for value creation or competitive advantage. Governments and political stakeholders intervened selectively rather than judging all MNEs the same way. For that reason, political shifts set the scene for windows of opportunity for (some) foreign MNEs. Since it is a way of competing in addition to pure market strategies, political positioning is an important component of overall firm strategy.

The historical analysis shows that MNEs have capabilities and resources to leverage their political position, both absolutely and relative to competitors. While the political environment may offer those opportunities, MNEs have to leverage them through political strategies. Managers need to demonstrate and disseminate the benefits they bring to the country through tactics such as labeling, political liaison, strategic partnerships, and public relations. Cooperative strategies are particularly promising if MNEs can show resource complementarity, if both partners need each other and consider the cooperation beneficial; and proximity in aspirations, if both partners have common or comparable goals. These can be highlighted by engaging in symbolic partnerships through visible projects or voluntary contributions to the host country's agenda.

This historical example suggests that MNEs can improve their performance by applying a holistic strategy to the political environment that looks beyond any individual host market. A political opportunity in one market may translate into other host countries (spill overs). More importantly, contradictory strategies in different markets may call into question the MNEs' credibility and trustworthiness and harm the overall strategy. Successful political strategizing also requires the growth of new kinds of capabilities based on intelligence about rivals and cooperators as well as political sentiments and their development over time.

The outsiderness advantage of German business in India was first and foremost a feature of the late colonial period. However, the developmental role of foreign firms in the industrialization process is well established in India and continues to be a major role for MNEs. An interesting question is how long and under what circumstances political advantages can last, and if disrupted ties can be reinvigorated after periods of absence.

Outsider opportunities may emerge in different contexts beyond formal colonial relationships and can explain strategies in trade relations between economically uneven partners. A recent example of similar outsider strategies is the increased trade between Africa and China, which has quadrupled since 2001, and in 2006 reached almost $40 billion. Political scientists Chris Alden and Martyn Davies (2006) argue that Chinese MNEs are so successful in Africa because of their "competitive political advantages." According to them, Chinese firms are open and willing to work with any state, regardless of its international standing based upon the Chinese foreign policy precepts of non-interference in the domestic affairs of other states. The Chinese government supports this doctrine with "symbolic and economic diplomacy," giving financial assistance to symbolic projects in recipient countries. The perception of Chinese and Western business is thus markedly different even if the reality of business practices is quite similar. Chinese MNEs position themselves as outsiders and leverage that position in countries with a history of dependence on an economically further developed country.

VII. Appendix

Table 1: Siemens and Bayer/I.G. Farben in Brief

	Siemens	Bayer, I.G. Farben since 1925
Year of foundation	1847	1863 1925 merger to I.G. Farben
Global business		
Number of employees worldwide, 1914, 1929, 1939	82,800 138,000 183,000	10,600 120,000 136,000
Worldwide Sales, 1913 (in 1,000 US-$) and 1939 (in 1,000 US-$)	98,571 473,896	133,333 815,261
Foreign sales as % of total sales, 1929	42	55
India business		
Milestones of business with India	1865-1870: Indo-European telegraph line from London to Calcutta 1903: Schröder, Smit & Co., Bremen and Calcutta, appointed as Siemens' agent for India 1907: Calcutta-based branch office of Siemens Brothers (London), with sub-offices in Bombay and Madras 1914-18: Expropriation of British Siemens Brothers and India branch 1922: Wholly-owned subsidiary Siemens (India) Ltd. in Calcutta	1892: Charles Vernon appointed as Bayer's agent in India 1896: Wholly-owned subsidiary of Bayer "Farbenfabriken Bayer and Co. Ltd." in Mumbai 1916: Expropriation and closure of subsidiary in India 1921: Gorio Milan and Bombay contracted as agent for India 1926: Sole Importer Contract with the Dutch Havero Trading Company (including secret agreement to guarantee German influence) 1938: Four wholly-owned subsidiaries for pharmaceuticals, dyes, photography (AGFA), and chemicals
Number of employees in India, 1937/38 (% of Indians)	653 (95)	909 (92)
Sales in India (in 1,000 US-$), 1937/38	3,246	11,153

Sources: General business development: 2909-2912; 8156; 4286, all SAA; (Feldenkirchen 1999) (Plumpe 1990) (Weiher 1990); Siemens: employees and sales: 20/Ld 366.5, SAA (Feldenkirchen 1999, 385, 401, 403); Bayer: employees: (Verg, Plumpe et al. 1988, 198); I.G.: employees and sales 202/16; sales statistics, both BA; (Plumpe 1990, 94, 175, 547, 561, 615). Employees and sales India, for Siemens: 25 Lg 136 Results Calcutta, 4886 Annual report Siemens Calcutta, 8188 Personnel Overseas, 8150 Results Overseas, all SAA; for I.G.: 331/114; 202/16, all BA. 1 Reichsmark = 4.20 US-$ (1914), 1 Mark = 2.49 US-$ (1937-39.)

Table 2: Top 10 foreign markets of the companies of I.G. Farben[1], 1913

	Sales (in million RM)	Sales (% of total foreign sales)
USA	84.1	20.99
Russia	54.9	13.70
China	43.0	10.73
Great Britain	43.0	10.73
France	31.5	7.86
Austria-Hungary	20.8	5.19
Japan	19.2	4.79
Italy	17.2	4.29
British India	14.6	3.64
Belgium	10.7	2.67
Others	61.7	15.40
Total foreign sales	400.7	100

Source: 202/16, BA. (Plumpe 1990, 51).

Table 3: Value of German imports into India (in 1,000 GBP), 1913-14 (imports valued over 200,000 GBP)

	Value of German imports into India (in 1,000 GBP)
Metals	2,573
Cotton manufactures, including twist and yarn	945
Woolen manufactures, including yarn etc.	716
Dyeing and tanning substances	622
Hardware	482
Machinery and millwork	288
Oils	216

(Great Britain Trade Commissioner for India 1919)

[1] I.G. Farben resulted from a merger of Bayer, Hoechst, Agfa, Griesheim, and Weiler-ter Mer in 1925.

Table 4: Siemens (India) sales, total and as % of all overseas branches, 1928-1939

	Sales Siemens (India) (in 1,000 RM)	Sales of all overseas branches (in 1,000 RM)	India as % of all overseas branches
1928/29	4,461	88,000	5.1
1931/32	4,167	59,083	7.1
1932/33	*n/a*	32,000	*n/a*
1933/34	3,064	25,577	12.0
1934/35	4,085	32,684	12.5
1935/36	4,296	37,326	11.5
1936/37	5,458	44,000	12.4
1937/38	8,082	44,867	18.0
1938/39	7,508	54,707	13.7

25 LG 136; 8136 and 4286, all SAA. The category “overseas” includes Siemens’ subsidiaries in: Argentina, Brazil, British India, Chile, China, Dutch East Indies, Egypt, Japan, Mexico, South Africa, and Sri Lanka.

Table 5: I.G. Farben Sales in India, total and as percentage of exports 1926-1937

Year	Sales I.G. (India) (in 1,000 RM)	Export sales I.G. (in 1,000 RM)	India as % of all export sales
1926	28,620		
1927	n/a		
1928	n/a	813,500	
1929	28,980	781,600	3.71
1930	29,760	577,900	5.15
1931	32,189	534,600	6.02
1932	28,316	473,200	5.98
1933	27,069	452,000	5.99
1934	26,420	418,200	6.32
1935	31,528	451,100	6.98
1936	28,374	450,000	6.31
1937	27,770	488,400	5.69
1938	n/a		

4 b 14 3 6 Dye market British India; 330/1267 Files of I.G. Farben; 1113 British India; 420 Sales dyes. 82/1 Situation of the Indian Rupee, all BA; (Plumpe 1990, 434, 547).

Table 6: Imports to India by product category and country of origin (in % of value)

	1913/14	1930/31	1935/36
(i) Machinery			
Great Britain	89.8	74.7	67.7
Germany	5.6	8.2	12.0
United States	3.3	11.4	8.5
(ii) Iron and Steel			
Great Britain	69.9	52.3	56.4
Germany	14.5	6.9	13.7
Belgium	11.5	24.9	13.8
USA	2.6	4.6	1.0
(iii) Hardware			
Great Britain	57.2	36.4	31.8
Germany	18.2	29.9	33.2
USA	9.7	12.5	9.4
Japan	1.5	5.8	10.9
(iv) Chemicals			
Great Britain	74.4	54.0	55.9
Germany	12.4	18.3	14.3
USA	0.3	5.2	4.5
Italy	5.2	7.3	3.5

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National Archives of India, New Delhi, short: NAI
West Bengal State Archives, Kolkata, short: WBSA

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