

German business to strengthen its involvement in India

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The economic and labour minister in Germany's Social Democrat (SPD)-Green coalition government, Wolfgang Clement, flew to New Delhi on April 4 for the fifteenth meeting of the Indo-German Joint Commission on Industrial and Economic Co-operation. Clement's three-day visit focused on bilateral trade issues with the Indian government. A swarm of 90 German CEOs and parliamentarians accompanied Clement and attended the two-day meeting. Indian Finance Minister P. Chidambaram and 68 Indian CEOs greeted them.

The Indo-German Joint Commission deals with the entire gamut of Indo-German bilateral economic relations and meets alternately in India and Germany. The gathering generally focuses on trade and investment issues, and technological collaboration. However, both German and Indian leaders were keen to stress that they view relations between the two countries as being of vital and growing economic and strategic significance.

Clement said that the German government aims to double bilateral trade with India by 2010, adding that India is a central strategic partner for us in the region and we intend in future to work together even more closely and intensively. Expansion of our economic relations is a high priority on both sides. Referring to steps taken by India's 11-month-old United Progressive Alliance (UPA) government, he observed that India had become increasingly attractive for foreign investment by liberalising sectors such as banks and civil aviation.

Germany is already India's fourth-largest trading partner (after the United States, United Kingdom and Japan), with a two-way trade amounting to some 6.2 billion euros last year—a 34.7 percent increase over 2003. The main areas of trade include engineering goods, textiles and leather goods, chemicals and pharmaceuticals. However, Germany only accounts for 4 percent of India's total foreign direct investment (FDI) approvals and just 5.2 percent of the total inflow of international capital to India.

The Siemens representative to India, Jergen Schubert, warns that German firms are missing the opportunity to invest India. The head of the German-Indian Trade office in Mumbai (Bombay), Bernhard Steinrcke, said German capital had been too late to identify the potential of the gigantic Indian economy unlike the US, Japanese and Korean firms that have claimed the

Indian market for themselves.

Indian Finance Minister Chidambaram told the Indo-German commission that the current level of German investment in India is disappointing. Elaborating the concerns of the Indian business elite, he also complained that some Indian exports to Germany have faced EU anti-dumping and other punitive actions. The rise of protectionism in any form is a source of great worry to India.

The Indian trade and commerce minister, Kamal Nath, echoed Chidambaram's concerns saying, "While the Indian economy has liberalised and opened up its markets, there is a feeling the European Union is shutting its doors to Indian exports. We seek German cooperation in settling the issues of various non-tariff barriers that Indian exporters have been facing."

At the same time, Chidambaram promised the UPA government would take urgent measures to reform India's investment review process and overall regulatory environment, which he said had scared away foreign investment in the past.

In keeping with the populist rhetoric of the UPA—a coalition dominated by the Congress and supported by the Stalinist-led Left Front—Chidambaram said that the government's neo-liberal reform program, which is currently focussed on revising the country's labour laws to make it easier for employers to close plants and lay off workers, is solely directed to flight poverty in India. Without economic growth, insisted Chidambaram, we have no chance of eliminating poverty in this country.

In truth, Chidambaram and the UPA articulate the predatory interests of the Indian bourgeoisie. The inflow of foreign investment and access to new technologies resulting from deregulation have fuelled economic growth, leading to new wealth and opportunities for Indian capital and a narrow section of the upper middle class. But for the vast majority of the population, the past 14 years of reforms have been associated with increased economic insecurity and poverty.

One measure of the new ambitions of the Indian bourgeoisie is the emergence of a top tier of Indian firms as international players. Indian companies like Bharat Forge (BFL), Ranbaxy and the Samtel Group have been investing in Germany and making alliances with German companies.

During his India visit, Clement invited other Indian firms to invest in Germany, especially in the former East Germany, a region of high unemployment and, in comparison with the rest of Germany, low wages.

Reacting to Chidambaram's remarks, Clement agreed that the current level of trade and investment between the two countries is far from fulfilling the potential and that the development of the entire range of India's infrastructure is a top political priority.

Infrastructure sectors in India can absorb FDI up to US\$150 billion, added Clement, citing sectors such as roads, ports, airports, power, housing and telecommunications. German business wants to play its part as India upgrades its infrastructure in many areas and develops fresh fields of cooperation, thus becoming even more integrated into the world economy.

According to the *Frankfurter Allgemeine Zeitung*, Siemens is already expected to invest a further 500 million euros in its Indian operations; Bosch 220 million euros. The Deutsche Bank is to extend its branches by buying the HDFC-Bank, and BMW and Volkswagen are reported to be in negotiations to open two new plants by the end of this year.

India has become increasingly important to transnational capital since a Congress government in 1991 abandoned the Indian bourgeoisie's post-independence national development strategy and sought to make India a supplier of cheap-labour goods and services for global capital. This free-market policy intensified under subsequent governments, especially during the six-year tenure of a coalition led by the Hindu-supremacist Bharatiya Janata Party (BJP).

The present Congress-led government, which holds office thanks to the parliamentary support of the Stalinist-led Left Front, was swept to power last May, on a tide of urban and rural discontent, engendered by massive cuts to social spending and price supports and the increasing unemployment that has resulted from deregulation, privatisation, and the diversion of government funding from agriculture to the infrastructure projects wanted by big business. However, as the deliberations of the Indo-German Commission make clear, the Congress and its Stalinist backers are wholly committed to continuing this course.

In seeking closer relations with Germany, the Congress-led UPA is also following in the footsteps of the BJP-led government. In 2003, BJP leader and Indian Prime Minister Atal Bihari Vajpayee visited Germany and called for the two countries to strengthen their economic and political cooperation. Subsequently, a number of Indian business delegations visited Germany, in one instance to meet with the Bavarian minister president, Edmund Stoiber. In February of last year, Stoiber returned the compliment, by visiting India with a few hundred industrialists based in the state of Bavaria.

Following Stoiber's visit, German Chancellor Schröder, Finance Minister Eichel, Education Minister Bulmahn and

Foreign Minister Joschka Fisher made extensive visits to India. Most recently, in February of this year, the minister president of Hessen, Roland Koch, made a nine-day visit to India with a delegation of 70 heads of so-called medium-sized enterprises.

During his visit, Clement heaped praise on the Indian elite and its new strategic orientation, declaring that India is harvesting the fruits of the policy of liberalisation it began in 1991: "In 2004, you were actually a world leader with economic growth of 6.9 percent. At the moment, we in Germany can only dream of that, acknowledging the concerns of the German financial elite to catch up especially with the US in its economic involvement in India."

The present economic growth in India, with an official average growth rate of about 7 percent, is largely the result of the increasing inflow of FDI. But continued FDI growth is under threat of competition from other Asian countries, especially China, India's limited infrastructure, the continued existence of taxes and regulations deemed unacceptable by globally mobile capital, and the possibility of a major international economic crisis triggered by the gargantuan US current accounts, trade, and federal budget deficits.

The current attempts to strengthen economic and political ties between India and Germany take place against the backdrop of increasing economic competition and geo-political rivalry. India has fallen far behind China as a centre for inward investment, while German capital, which has been rattled by weak economic growth in Germany, is anxious to tap into alternative markets and investment opportunities so as to increase its economic competitiveness vis-à-vis its main Western rivals. Added to this is the threat posed by Washington's aggressive military and geo-political actions, which have projected US power into key oil producing regions—the Middle East and Central Asia—and have thereby cut across the economic and political interests of the European and Indian bourgeoisies.

Reflecting the developing fault lines between New Delhi and Washington, the Indian government last month signed a deal for the purchase of 11 Dornier 228 aircraft from Germany for maritime surveillance. The *Asia Times* commented that the deal reflected Indian unhappiness with the US decision to offer it only the lower-standard PC-3 Orion airplane and Washington's decision to supply F-16 fighter jets to Pakistan. India's eagerness to develop military links with the European Union was also indicated by its recent decision to participate in the European Galileo space programme and the development of an alternative global positioning system to that controlled by the Pentagon.



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