PREFACE

Since independence, India adopted centralised planning, heavy industrialisation and socialism in order to reduce any inequalities in the distribution of incomes, wealth and economic power to meet the needs of the populace. To that ends it has sought, on the one hand to control import of technology and, on the others make conscious efforts to develop and promote indigenously available technology. Thus, India permitted limited foreign collaborations which were considered advantageous to fasten Indian economic development. The policy was not restrictive, but regulatory, keeping in mind India's development objectives and requirements. The Federal Republic of Germany figured prominently amongst the developed countries with which India sought to forge closer economic and technological bonds.

Indo-German strategy on Industrial collaboration can be divided into two phases. The first phase extends up till 1991 in which the Indian Government adopted a socialist pattern of society with commanding heights which were assigned to the public sector. The second phase which began in 1991, witnessed the introduction of a dynamic policy of liberalisation in order to enhance economic developments and integrate the Indian economy into world markets.

Even though the Federal Republic seeks to benefit from the new vast opportunities opening up in Central and Eastern Europe as well as in the Commonwealth of Independent States, it has a major interest in large Asian markets, such as China and India, which have been opening up in a big way to the Western MNCs. As such, for the
German partners “long-term expectations with regard to market potential”, the “opening up of new markets” and the “maintenance and extension of an established market” constitute important motives for enhancing collaborations with Indian partners.

The significance of Germany for India, as a trading partner, is empirically demonstrated by the fact that India has been the single largest recipient of German bilateral assistance. In terms of number of joint ventures and foreign collaborations, Germany occupies second place after the United States of America. However, India accounts for no more that 0.6 percent of Germany’s trade, therefore, the potential to increase its share is considerable.

Chapter One gives a broad overview of Indo-German economic and political relations from 1949 to 1990. It briefly discusses Indian responses to German unification. It also deals with how Indo-German relations have not only survived but also strengthened, despite occasional irritants.

Chapter Two discusses the main features of India’s New Economic Policy introduced in 1991. It provides a detailed account of German responses to Indian economic reforms especially in relation to trade, investments, industrial collaborations and development co-operation. Indian industry’s increasing participation in German Trade Fairs and the German exhibitors presenting high quality products in India provide an impetus to increasing trade and collaborations between the two countries and this aspect has also been dealt with in the second chapter.
India’s Engineering goods’ industry is one of the major areas which has not only benefited the most from the New Economic Policy but it has also been the first to show positive results.

Chapter Three makes a case study of the importance of engineering goods in India’s export basket in general and towards Germany in particular.

A significant development which started in the late 1980s has been the change in the composition of India’s exports to Germany. There has been a robust growth in the engineering goods in terms of both share and value, they have shown consistent increase. However, there has also been a shift in India’s exports from conventional to manufactured and semi-manufactured goods and this trend needs to be analysed.

The growth of India’s engineering industry in the 1990s has been helped by assimilation of technology and proliferation of collaborations. There has been an increasing interest of not only German engineering firms but also other international firms to join hands with Indian counterparts to set up joint ventures in India or in third countries, to manufacture for export markets. This high regard for India’s engineering sector by developed countries emanates from Indian government’s efforts and the country’s newly emerging technocrats to build up a large and diversified industrial base formed by a huge conglomeration of small scale, medium and large industries. Chapter Three gives a detailed account of these new developments in India’s engineering industry.
Engineering goods and Machine tools were also picked up for this study because Germany is the world leader in these areas and there is a vast scope for India to provide a base for outsourcing to German industry.

Chapter Four thus provides a detailed account of machine tools. It gives an analysis of the German importance to this sub-sector of Indian engineering industry in the 1990s. It also discusses the problems faced by the German machine tool industry in the 1990s and the problems faced by the developing countries like India due to restrictions on the export of machine tools under COCOM regulations and restrictions on export of dual use goods.

The concluding chapter provides a review of the major findings and summarises the major conclusions of the study. It discusses the measures that must be adopted to broaden and deepen Indo-German economic relations.

At the beginning of a new millennium both India and Germany find themselves located in a vastly altered world, in which the end of super power rivalry, and the reunification of Germany and its pivotal position as a leading economic power, present opportunities for co-operation with a tremendous potential for mutual gain.