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Geopolitical Jockeying:

Economic Nationalism and Multinational Strategy in Historical Perspective

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Economic Nationalism and Multinational Strategy in Historical Perspective

Abstract

Research summary: We explore multinational strategy formation in the context of rising economic nationalism. Specifically, we examine how firms develop strategies to capitalize on the historical and aspirational attributes of national identity. Analyzing the histories of two German multinationals in late colonial India, we find that these firms engaged in “geopolitical jockeying” to delegitimize rival multinationals and position themselves as complementary to the economic and political goals of the host nation. Toward that end they employed “aspirational political practices,” addressing the inherently future-oriented character of nationalism, and invested in the development of political capabilities to gather information and shape perceptions of national contexts. The paper contributes to a more robust conceptualization of nations and nationalism and their role in the formation of international competition and strategy.

Managerial summary: Rising economic nationalism can create political and economic opportunities as well as threats for multinational firms. Through a historical analysis of the emerging strategy of two German companies – Siemens and Bayer – in late colonial India, we show how firms can engage in “geopolitical jockeying” to delegitimize rival multinationals and position themselves as complementary to the economic and political goals of host nations. To do so the companies engaged in “aspirational political practices,” addressing the inherently future or

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goal-oriented aspects of nations, and created political capabilities designed to both gather intelligence on and shape the nationalist movements. The paper uses history as a mirror for reflecting on the causes and consequences of economic nationalism for international strategy in our own time.

Introduction

Research on multinational strategy has clearly recognized that international business does not operate in a frictionless, globalized world. Early theories of multinational enterprise (MNEs) focused on how firms achieved competitive advantages abroad based on the economics of ownership and location advantages (Dunning, 1977; Hymer, 1976), with relatively less analytical attention to the political contexts of home and host countries. More recent approaches have theorized extensively about how the relationship between specific home and host countries shapes the risks and opportunities MNEs face in going abroad (Ghemawat, 2007, 2017). Institutional and legitimacy theories, in particular, have emphasized strategy formation within the political contexts in which MNEs operate (Henisz *et al.*, 2012; Kostova *et al.*, 1999; Luo, 2004; Marquis *et al.*, 2015; Stevens *et al.*, 2016).

Yet despite the growing recognition of the importance of political context in multinational strategy, research has only started to grapple more deeply with one of the most important sources of political legitimacy: economic nationalism (Abdelal, 2001; Jakobsen *et al.*, 2011). Both historically and today, economic nationalism has been a particularly important source of political risks but also of political opportunities for multinationals; it plays a major role in their strategies for positioning themselves vis-à-vis their rivals. While strategy and international business scholars have recognized the importance of nations and nationalism in their accounts of the context for international business (Ghemawat, 2007; Vernon, 1998; Wells *et*

al., 2007), little analytical attention has been devoted to the aspirational (Abdelal, 2001) and historical (Breuilly, 2013) characteristics of nations as “imagined communities” (Anderson, 1983). The relative neglect of national identity, and the ideational aspects of nationalism and nationhood limits our ability to grasp its role in multinational strategy formation.

In this paper, we address this gap by exploring how integrating the aspirational and historical characteristics of nations might contribute to our understanding of multinational strategy formation. Using the historical cases of two German multinationals—the electrical company Siemens and the chemical firm Bayer (since 1925, part of I.G. Farben)—in late colonial India, we explore how these multinationals dealt with the rise of Indian nationalism. We find that nationalism presented German MNEs with strategic opportunities as well as risks. Over the decades between World War I and World War II, the German companies learned to capitalize on rising nationalism in the Subcontinent using an emerging strategy of positioning themselves as “outsiders” to colonialism, and hence as a politically legitimate alternative to rival MNEs from the UK. Bayer and Siemens came to do so by presenting their aims and actions as complementary to the aspirations of nationalist leaders. They engaged in practices, such as partnerships with nationalists and educational programs for Indians, that worked to cultivate the trust of Indian nationalists and to delegitimize their British rivals. And, they increasingly invested in the ability to gather both home and host country political information and engage in communication designed to maintain that political advantage in the Subcontinent. By the end of the interwar period they had synthesized this pattern of decision-making into a deliberate strategy of capitalizing on “countries with strong nationalist movements.”

The case allows us to draw out three broader conceptual implications of incorporating the aspirational and historical character of economic nationalism into multinational strategy

research. First, whereas research on multinational strategy has tended to focus on country-level political risks (Kobrin, 1982) or bi-national political relationships between home and host country firms (Ghemawat, 2007), incorporating economic nationalism into multinational theory helps reveal how firms may in fact engage in what we term “geopolitical jockeying” – defined here as political positioning with the aim of cultivating alliances with host-country stakeholders in ways that delegitimize rival multinationals from other countries. Second, the paper allows us to consider how multinational political strategy uses “aspirational political practices,” addressing the inherently future or goal-oriented character of nationalism. Finally, we highlight how engaging in effective geopolitical jockeying and aspirational political tactics involved the development of specialized political capabilities intended to gather intelligence and to engage in symbolic and rhetorical communication that support a firm’s political positioning.

The paper begins by examining the treatment of nations and nationalism in international strategy research, and highlighting the need to more deeply integrate the aspirational and historical character of nationalism in this scholarship. It then introduces the historical case and methods employed to study the process of strategy formation at Siemens and Bayer in interwar India. The historical case itself provides a narrative account that begins with the defeat of Germany at the hands of the British and their allies in World War I, recounts the initial efforts of German multinationals to respond to the opportunities that rising nationalism presented in the wake of the war, and traces the increasingly deliberate development of practices, capabilities, and eventually strategies to capitalize on political positioning vis-à-vis Indian nationalism. The discussion section draws out the three conceptual implications for multinational strategy research, and we conclude by highlighting the boundary conditions of our study and the need for further research on economic nationalism in international strategy scholarship.

From “Country” to “Nation:” Incorporating Nationalism in Multinational Strategy

How does shifting the focus of the key concept of home and host “country” to “nation” matter for multinational strategy research? Countries are primarily designations of places, with formal territorial boundaries, locational resources, and governments. Classic multinational strategy research tends to analyze “location” considerations in entry into foreign markets (Dunning, 1977; Hymer, 1976) and defines political strategy primarily in terms of the management of the “political risk” arising from host government or stakeholder interventions (Boddewyn, 1988; Henisz, 2016; Kobrin, 1982; Poynter, 1985). Nations, in contrast, refer not just to places, governments, or groups of people, but also to the identities, aspirations, and histories (Abdelal, 2001; Breuilly, 2013) that hold them together as “imagined communities” (Anderson, 1983). A key research opportunity on the role of nations and nationalism in strategy formation lies in the question of how multinational firms deal with national identity and the ideational aspects of nationhood.

Much of the scholarship on the political dynamics of international strategy focuses on the adversarial relationship between MNEs and host governments. Hymer (1970) and Vernon (1998), for instance, address the interplay between national sovereignty and multinational enterprises. This approach highlights the bargaining process and struggles for control between global firms and local regimes (Wells *et al.*, 2007). Recent work has broadened the scope of multinational political strategy to include not only governments but a variety of local stakeholders. Henisz and co-authors, for instance, have explored when and how stakeholders mobilize against an organization and how such mobilization affects firm valuation (Dorobantu *et al.*, 2017; Henisz *et al.*, 2014). Likewise, Bucheli and colleagues have shown how MNEs that cultivate connections with host country elites bolster their legitimacy in that country and that

these connections may shield them from the treats that arise when the host country undergoes political transformations (Bucheli *et al.*, 2012; Bucheli *et al.*, 2018). While recognizing the role of “national interests” in MNE political strategy, this literature focuses on host governments and stakeholders and does not incorporate nationalism and national identity into analysis of the political process, as Dunning *et al.* (2008: 171) argue in their critical review of Hymer’s law of uneven development.

Recent research has begun to draw more explicit attention to some aspects of the formation of national interests, but has not fully incorporated the historical and aspirational aspects of nationhood into the dynamics of strategy formation. For instance, Ghemawat (2007) stresses the historical legacy of colonialism as an integral aspect of “administrative distance,” but does not explore how such historical legacies are used in strategy making. Research on global state-owned enterprises highlights the importance of national objectives and strategic intentions in the management of such firms (Cuervo-Cazurra *et al.*, 2014: 929), but without grounding these future-oriented objectives in the history and experiences of the nation. Finally, the literature on organizational legitimacy in international business has posited that host country governments look at the activities of foreign firms over time and evaluate their “fit” with government’s long-term economic and political goals, but it does so without an explicit consideration of the historical community that forms the nation (Henisz *et al.*, 2005; Kostova *et al.*, 1999; Stevens *et al.*, 2016).

A more robust approach begins with the understanding that nations and nationalism are not objective phenomena but rather constructed identities based on historical memory, cultural symbols, language, ethnicity, and religion (Anderson, 1983; Breuilly, 2013; Gellner, 1983; Hobsbawm, 1992). In other words, treating the concept of the nation more deeply involves

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moving beyond using it as a synonym for the country or the state. Following Benedict Anderson (1983: 6), we define nations as “imagined political communities.” Nations and nationalism, Anderson explains, are “cultural artefacts of a particular kind” and that “to understand them properly we need to consider carefully how they come into being, in what ways their meanings have changed over time, and why, today, they command such profound emotional legitimacy” (Anderson, 1983: 4). Much of what characterizes a nation and its national identity is based on how it defines its specific political, economic, and cultural purpose; “it is the nation connected to a project,” as Rawi Abdelal (2001: 25) puts it. Both Abdelal and George T. Crane (1998) argue for a strong focus on national aspirations in defining nations, which are often contested and not synonymous with either a group of stakeholders or state policies. National identities and aspirations are themselves based on a nation’s sense of its own past. As John Breuilly (2013: 2) has put it, “nationalism is the most historical of modern ideologies” because “the most basic tenet of nationalism – the unique nation – is grounded historically.” How multinational firms grapple with these historical and aspirational characteristics of national identity remains largely unexplored in international strategy research.

To pursue this agenda and more systematically incorporate the historical and aspirational qualities of nationalism in multinational strategy scholarship, we draw on the work of Friedrich List (1827, 1983 [1837], 2001 [1841]). List’s thinking is particularly useful for our purposes for three primary reasons. First, he offers a clear conception of *how* nations and nationalism shape economic calculations, a useful condition given the economic focus of multinational enterprise. Second, he conceptualizes national identity as inherently aspirational. Finally, his approach emphasizes the historical nature of nationalism and its role in economic development (Levi-Faur, 1997).

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Nations, for List, are fundamentally economic as well as political and cultural units because they are crucial to the development of what he calls “productive powers.” The productive powers of a nation are defined not only by their access to resources (e.g. land and minerals) and technologies (e.g. machines and tools), but also by “capital of the mind,” a category in which List (1827: 193-194) includes “skills, training, industry, enterprise, armies, naval power and government.” The cultivation of the capital of the mind is crucial for nations because it performs a higher-level coordinating role essential for the productivity of other resources and gives substantive meaning to the idea of national community. Countries with strong national identities, therefore, evaluate trading relationships not simply based on their near-term economic benefits and costs, but also based on notions of long-term national wellbeing that involve sacrifice for the sake of the development of national economic independence and culture. In this sense, List’s concept of the nation was essentially that of an aspirational economic community fundamentally geared toward the development of national capabilities. List’s perspective was also an evolutionary one in that he saw nations as developing as they gained more advanced capabilities, with the interests of more advanced nations at times at odds with developing ones. In this sense, Listian nationalism emphasizes not only the community, but also the “other”—those who do not belong or may even oppose the project of the nation.

Incorporating a Listian perspective on nationhood into research on MNE strategy has a host of implications. First, it suggests a need to consider how multinationals develop political strategies that involve not only calculations of near-term interests based on material gains to trade and investment, but also incorporate the long-term political and social aspirations of a nation. Second, in line with the literature on stakeholders, it involves engagement with a much broader and more diverse set of actors and actions involved in defining the nation state as a

community, not just formal government and policy. And finally, it points to the need to incorporate considerations of national identity and national history, including those of the home in addition to the host, into multinational strategy making. We use our historical case study to explore how multinationals form strategies that grapple with these aspects of nationalism.

Methods

The historical case of German MNEs in late colonial India and the context of interwar international business are useful for studying the processes by which MNEs form political strategies in the context of rising nationalism. Business historians have found that the interwar period marked the emergence of the first efforts at systematic political risk management by corporations (Donzé *et al.*, 2013; Jones *et al.*, 2012). Historical scholarship has also marked World War I and the Great Depression of 1929 as the end of laissez-faire economic systems (Findlay *et al.*, 2003; Jones, 2005) and often characterize the interwar period as a moment of rapidly rising nationalism in the developing world and in some parts of the developed world as well (Breuilly, 2013). The worldwide economic depression set the scene for the rise of state-led inward-looking protectionism. In response, some MNEs developed sophisticated organizational structures designed specifically for mitigating political risks (Donzé *et al.*, 2013; Jones *et al.*, 2012; Kobrak *et al.*, 2004; Kobrak *et al.*, 2006). 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 *et al.*, 2012).

Interwar India is a useful context for exploring the process of German MNE strategizing in the context of rising nationalism. As German business was handicapped in many Western

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markets after World War I, it turned its attention to less developed markets. In India, they were faced with the political environment of decolonization and rising nationalism. In fact, the contested and dynamic relationship between colonial and anti-colonial interests on the one hand, and foreign business on the other is one of the most prominent topics in the historical literature on decolonization (Decker, 2008; Stockwell, 2000; Tignor, 1998; White, 2012). Likewise, political scientist Rawi Abdelal (2001) has shown 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 MNE strategy formation in India reveals the conditions under which these political strategies emerged and helps to untangle the processes by which political positioning vis-à-vis nationalism came to be used strategically.

The historical narrative we present is based on research in corporate and government archives in Germany, India, Great Britain, and the United States (for an overview see appendix). To achieve the necessary depth of analysis, we concentrate in particular on two firms: the electrical company Siemens; and the chemical company Bayer, which in 1925 became part of the conglomerate I.G. Farben. 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). We triangulated between these archival records, contemporary published accounts, and secondary sources in developing our historical narrative (Kipping *et al.*, 2014).

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The analytically structured narrative (Ingram *et al.*, 2012; Rowlinson *et al.*, 2014) we produced was focused on the conceptualization of economic nationalism described above. It takes an “historically embedded” perspective on strategy formation at Siemens and Bayer using realist ontological assumptions (Jones *et al.*, 2006; Vaara *et al.*, 2016). These companies faced a highly uncertain environment in the wake of World War I, and their initial strategy vis-à-vis nationalism is best characterized as “emergent” in that it involved a pattern of decisions “in the absence of intention” (Mintzberg, 1978; Mintzberg *et al.*, 1985: 258). Over the subsequent decades the firms’ strategies vis-à-vis nationalism became increasingly deliberate, and the narrative traces this evolution from opportunism to intentional strategy (Kipping *et al.*, 2010). Given the importance of contextual developments in nationalism and international politics over the period, the narrative pays particular attention to the interaction between changes in nationalist rhetoric and practice in India and Germany on the one hand and the evolution of firm-level practices and capabilities on the other in the process of strategy formation (Pettigrew, 1987; Seidl *et al.*, 2014; Whittington, 2006). The retrospective point of view that history provides (Ingram *et al.*, 2012; Mintzberg, 1978; Wadhvani *et al.*, 2014) then allow us to conclude with a discussion of broader conceptual implications about the relationship between nationalism and strategy as inferred from the case.

German MNEs in Interwar India

Germany was devastated by its defeat in World War I. Prior to the war, the German economy had been closely integrated with its Western partners (Keynes, 1919: 17), but the Peace Treaty of Versailles imposed a set of onerous new conditions on the country. British economist John M. Keynes (1919), who participated in the Versailles negotiations as a delegate of the British

Treasury, was so critical of Germany's treatment that he resigned from his position in protest and predicted that the imposed reparation payments would economically destroy the country.

In addition to reparations, war-related expropriations weakened Germany further, as historian Stephen Gross (2015: 48) details: "Germany lost 27,000 square miles of territory, 7 million people, and 10 percent of its prewar resources." During the war, German assets had been expropriated based on Trading with the Enemy regulations, which extended also to the colonies and partners of the belligerent nations (Alien Property Custodian, 1919; Government of India Legislative Department, 1915; Steinbach, 2011).

Both Siemens and Bayer bore the burdens of this development. Siemens' manufacturing facilities in England and Russia, from where it had conducted much of its export business, were fully expropriated (Historical Development of Overseas Business, 8188, SAA; Manuscript Reyss, 1924, 8185, SAA.) Bayer's profitable export trade in dyes, which generated 82 percent of sales in foreign markets, also came to a halt. Expropriations of affiliates—such as Bayer's Indian subsidiary founded in 1896 (202/16, BA)—and loss of 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). Moreover, the USA, UK, and France, which had previously been important markets for Bayer, became politically protected in the name of national security. As a report by the U.S. Tariff Commission (1927: 79) explained, "The World War proved conclusively that an organic chemical industry is the basis of any scheme of national defense." By 1920, the US produced 96.3 percent of its own domestic need for dyes, France 77 percent, and the UK 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 outsider opportunities

With the more industrialized countries able and eager to manufacture necessary products at home, and the Russian market closed after the Revolution, German business had to look for alternatives and ended up turning to less developed countries, including Ireland and India.

Initially, the German firms Siemens and Bayer opportunistically exploited business opportunities that presented themselves without an explicitly formulated strategy.

Siemens' first major contract after the war was to build a hydroelectric power station for newly independent Ireland between 1924 to 1929. The so-called "Shannon" scheme was hotly debated, with British opponents objecting to the German origin of the manufacturer. The British *Daily Mail* warned against "German Intrigue in Ireland" and cautioned that "the entire industry of the Free State will be conducted at the will of German masters." (Daily Mail, July 1924, quoted in: Sutton, 2014: 212). Irish nationalists, however, were more concerned about a possible British "stranglehold" over their economy than a German one, as Irish Colonel Maurice George Moore

Irish Free State, the country has been endeavouring, as are most other independent States, to acquire economic freedom and to restrict imports as much as possible.” (Siemens, 1926: 1).

Like Siemens, the German dye industry also looked for accessible export markets after the war. Bayer together with five other German chemical companies had just formed the conglomerate “I.G. Farben” in December 1925, massively increasing production capacity (Hayes, 1987; Plumpe, 1990). However, of the key importing countries before 1914, only the non-producing Asian countries of India and China continued their open-door policy and throughout the 1920s, US, UK, German and French dyestuff manufacturers competed fiercely over them (United States Tariff Commission, 1927: 8).

However, rebuilding Germany’s export business to India was not without challenges. The British authorities maintained a travel ban on Germans in India until 1925. While the Germans were thus prohibited from visiting the Subcontinent, Indian businessmen faced no such restrictions when it came to traveling in Germany and took the initiative in establishing new trading relations. As early as 1921, Bayer hosted J.C. Das Gupta, a representative of several Calcutta-based companies that were open to negotiating with the Germans. According to an internal memo, Das Gupta conveyed that “India has the intention to become independent of British trade” and for that reason some Indian firms had approached him to get in touch with German manufacturers and “to lay the ground for the many Indians who now arrive daily in Hamburg” (9 K 1 Visit Das Gupta, 1921, BA). Other businesspeople in Germany reported Sikh buyers roaming the country to purchase much-needed goods for sale in India (Lohmann, 1934: 43).

Indians turned to Germany for the same reason that Irish nationalists had chosen Siemens. They saw a potential partner who shared their anti-British sentiments. Nationalist

Manabendranath Roy wrote in 1916 “the Indian people saw in Germany an ally whose interests were identical and in harmony with their own” (quoted in: Manjapra, 2014: 47). Bengali economist Benoy Kumar Sarkar, in 1926, similarly stressed a sense of India’s and Germany’s common historical identity as victims of British power. “[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).

Although Germany was politically weakened, Indians knew that it 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 (Department of Overseas Trade *et al.*, 1919: 9). However, Britain had grown increasingly concerned over the emerging German competition (Government of Great Britain, 1897).

Prior to the war, German businesses had mostly imitated the British first movers when it came to their India trade. Siemens worked with a British subsidiary (Correspondence Werner and Wilhelm Siemens, SAA); and Bayer hired Charles Vernon, a former employee of the British firm Graham & Co., to head its newly established wholly-owned subsidiary in Bombay (Bayer, 1918). Eventually, however, the Germans discovered a differentiation strategy based on political identity 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. “Why should we take revenge upon America or Germany for the oppression caused to us by the people of Britain?” nationalist activist Sri Aurobindo (2002 [1908]: 852) asked in a speech on January 30, 1908, and explained that “[t]here is a political reason ... for the boycott of British goods; it is to make the brethren of our oppressors feel the pinch.” Consequently, non-British business in India profited from the boycott and the Inspector General of the Police of Bengal observed: “A distinction is being made between English and Continental goods, adverse to the former” (Report on the Agitation, POL. (Pol.) F. No. (J)/1905, WBSA). It became increasingly apparent to German MNEs that non-British origin could be cultivated into a political advantage in the context of growing anti-colonial sentiments.

Developing new practices

Over time, Siemens and Bayer/I.G. explored politically motivated practices to accentuate their differences vis-à-vis the British, primarily by investing in (selective) educational projects and cooperating with anti-British Indian nationalists.

Indian nationalists considered education and training crucial for the development of India’s own industry. The Indian National Congress (the Congress), the predominant public organization of independence activists, issued resolutions on technical education from 1887 until well into the twentieth century (Bassett, 2016: 31-37). However, many nationalists believed that

support from abroad was crucial in developing the educational system. Educator Ashutosh Mukherjee (quoted in: Manjapra, 2014: 51-52) thought it necessary to observe closely Western educational institutions, “and among the latter, none, indeed, are more worthy of study and emulation than the great German Universities.”

German firms tapped into this nationalist educational agenda. Bayer’s managers observed the nationalist movement closely and argued that, “as a consequence of Swadeshi,” the cotton factory industry, one of Bayer’s main customers, has developed very positively (Bayer, 1918: 401). At the suggestion of an Indian chemist, Tribhuvandas Kalyandas Gajjar, Bayer engaged in one of the earliest educational projects in the industry by financially supporting the establishment of an industrial school focused on applied sciences. The German firm sent (and funded) several experts to teach at the school. Training centers for dyers were opened in multiple locations and many of the students were later employed by Bayer in its India business (Bayer, 1918: 400; Bhagavan, 2002; Raina *et al.*, 1991).

The school was founded in the princely state of Baroda, which had a history of anti-British protests. The local ruler continued to stay in close contact with several German MNEs. He invested in expanding the Okha harbor as an alternative to the import 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 also sponsored Indians to undertake industrial training with them in Germany (Directory Foreigner, SAA; R 104777 Memorandum Hentig 17.12.1937; R 77462 “Education in Germany”, PA).

Symbolic partnerships with Indian nationalists further highlighted the German firms’ sympathy for the nationalist agenda. Both Siemens and Bayer increased the number of Indian

employees in their firms and selected well-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 in the Punjab, who, in the spirit of swadeshi, floated several financial companies providing capital for indigenous businesses. He contracted with Siemens to build a model power station in Lahore for nearly 1.5 million rupees (c.\$476,191). The plant became an often-visited advertisement for the German firm and a publicly visible symbol of cooperation. Lal had strong ties to the Congress and in 1919, he spent several months in prison for conspiracy against the British (Gaubha, 1938). Siemens' managers considered themselves lucky to have him as an expert with a strong social network in India. They reported, "Mr. Harkishan Lal is without a doubt one of the most able Indians and an entrepreneur of great skill" (letters Siemens India to Siemens, 24 Jan. 1931, 8156, SAA).

Negotiating Interwar Politics

The German MNEs' experiments with pro-nationalist practices helped them negotiate the turbulent politics of the interwar period. With the onset of the Great Depression in 1929, agricultural prices plummeted, and orthodox financial and monetary policies in India aggravated the crisis. 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, the regime of "imperial preferences" also gave favorable treatment to British Empire products, which were taxed at a lower rate than products from outside the Empire (Ottawa results, 8109, SAA); however, the differences were generally small and Indian nationalists pressed for the equal taxation of the foreign products needed for India's industrial development. More threatening to German MNE performance were the changes in the international monetary system. In 1931, the British pound

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departed from the gold standard, while the Reichsmark remained linked to gold. Consequently, the Indian rupee depreciated relative to the Reichsmark, making German 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 undermined the legitimacy 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 on Indians 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; for context and quote see Dejung, 2018: 217).

With pressure from the boycott mounting, 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. The move was an unusual one for ICI, which in almost all previous international negotiations had demanded territorial monopoly within the British Empire, leaving the rest of the world to foreigners (Coleman, 2006: 54). However, German I.G.’s dyestuff imports into India had grown from 34.4 percent (1920/21) to 70 percent (1929/30), and the US share also increased from 7.4 to 11.4 percent. These gains came at the cost of British competitors whose contribution fell from 33 to 7.4 percent and who were now desperate to negotiate for a share of the market (Plumpe, 1990: 118; Reader, 1970: 439). The

cartel agreed on a quota for I.G. of 65.5 percent and ICI of 8.43 percent, reflecting the Germans' increasing negotiating leverage in the Subcontinent (Coleman, 2006: 54; World Dye Production 54.B.14.53.56, BA; Plumpe, 1990: 197-199, 455).

Building political capabilities

In this increasingly nationalist and anti-colonial climate, German MNEs started to more actively develop a set of capabilities designed to systematically capitalize on the political opportunities that had now proven to impact competitive dynamics. They carefully studied individual industries, in particular those sensitive to economic nationalism because these were perceived as holding the greatest opportunities for further German penetration into the Indian market. Siemens successfully sold machinery to spinning mills, for instance, because of their perceived symbolic importance to the Congress' anti-British agenda (Siemens India, 31 March 1932, 4286, SAA). The Congress' outspoken protest against foreign cotton piece goods was directly related to the rise in spinning mills in India 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 Congress. 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.” (Letter Sykes, 19 March 1932, Hom Dept. Pol. Branch, 33/6, NAI, quoted in: Dejung, 2018: 218).

Bolstered by increasingly strident anti-British sentiment and encouraged by their gains in the Indian market, the German companies began to actively develop intelligence and communication capabilities to better manage their political advantages. Starting in 1929, 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, founded in 1929), which focused on overseas investment opportunities; and the *Wirtschaftspolitische Abteilung* (Political Economic Department, founded in 1932), which had the task of surveying relevant legal, foreign policy and taxation issues. Both were dedicated to political strategizing and monitoring the development of the political economic context at home and abroad (Division of Investigation of Cartels and External Assets, 1945: 12-17). 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. 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, indicating its strategic importance to the firm. 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).

The Department’s activities included studies of foreign newspapers and government reports as well as frequent travels to the countries where I.G. conducted business. In particular, NW 7’s leading managers visited those countries with strong nationalist movements to gather

intelligence on how best to position the firm. For example, Reithinger became an expert on Indian nationalism after a lengthy fact-gathering mission in 1937/38. Max Ilgner, a member of I.G.'s board, pitched the potential contribution that the firm could make to local economic development to Mexican state and government officials, and suggested 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 (copies of these reports: 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 \$0.4 million in 1932 to \$2.8 million in 1943. German governmental agencies came to rely 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 essentially became Germany's central agency for collecting and collating 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).

The timing of these investments in political capabilities proved impeccable, as German MNEs soon found themselves needing to actively manage ideological frictions between their own state at home and the market in India. 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

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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 political positioning in India. 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" (Letter Consulate Calcutta to Foreign Office, 7 June 1933, R 77416, PA). Collectively, they identified Indian news outlets and fed them English-language articles that took a Germany-friendly stance (Ibid.)

In addition to these collective propaganda efforts, 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 draw similarities between the nationalist causes of Nazi Germany and colonial India to try to offset the news coming out of Germany. He gave a lengthy speech in India in September 1933 and had it circulated widely through the consulate and the Indian press. In this speech, he played up the joint plight of the two countries, and carefully laid out the (alleged) parallels between nationalistic India and Nazi Germany (Urchs' speech 13 Sept. 1933, R 77416, PA), using historical rhetoric to foster his strategic agenda (Lubinski, 2018; Suddaby *et al.*, 2010; Wadhwani *et al.*, forthcoming).

These political and rhetorical maneuvers, at first, seemed to allow the German MNEs to thrive in India even as Nazi ideology became increasingly strident and racist at home. 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 because their prices were higher than their competitors. Price and long delivery times were the most frequent reasons for customers to decide against Siemens (Business Report 1938/39, 8133, SAA).

Given the importance of India as a growing market, both Siemens and I.G. increased their investments in political intelligence. I.G. sent Reithinger to India in 1937/38 (Travel reports, 191/1/3, BA). He met with Indian nationalists and German businesspeople and reported that Indian stakeholders considered the growing German imports a useful contribution to India's development. In machinery, hardware, iron, steel, and chemicals, German imports were growing at the expense of British market share (Annual Statements of the Seaborne Trade 1930/31 and 1936/37). Reithinger collected information on regional differences and found that Indians in Bengal and the United Provinces were particularly inclined to exclude the British from economic transactions and actively sought out German and Japanese alternatives. He also reported that the increasing number of newly appointed Indian civil servants in administrative positions often bought German products as a way of supporting the nationalist 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 Congress 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, which German MNE's took as a positive development for their business.

Capitalizing on nationalism as deliberate strategy

World War II abruptly ended German active business abroad. In India, colonial intelligence reports noted that German firms generously compensated their Indian employees for their loss of service after German businesses there was once again expropriated (IOR/L/PJ/12/506, File 1080(A)/36, IOR). Even as their assets were appropriated, German firms were concerned about maintaining their reputation in the hope of relying on these individuals again after the war.

Importantly, managers now more fully articulated a strategy of collaborating with nationalist movements that had been emerging for many years. Leading managers of both Siemens and I.G. induced from past experiences a strategy, now explicit, which targeted newly developing countries with strong aspirations for economic independence. Only months before the outbreak of the war, Max Ilgner (1938), member of the board of directors of I.G., discussed this strategy in a speech and subsequent publication called “Increasing [German] Exports via Intervention in the Industrialization of the World”. He looked back at “the last seventy years in the world” (Ilgner, 1938: 8) and concluded that those countries which industrialized intensively increased both their purchasing power and imports significantly and for that reason should be supported in their development, which would ultimately profit Germany’s own export business. Again turning to evidence from the past, Ilgner (1938: 9) observed that “Germany’s exports to developing countries [...] grew particularly swiftly over the past years, while those to old industrial countries even decreased.” Ilgner asserted this represented a “new and modern epoch of the world economy in the age of nationalization and industrialization”, in which all nations “will in the long-run pressure for independence” and that it is important to develop a partnership relationship with them, instead of insisting on exploitation (Ilgner, 1938: 10). “The highly developed and independent country, which actively contributes to the expansion of possibilities

[of less developed countries] as a partner, will anchor its general and economic influence in the strongest way.” In this, Ilgner’s analysis resembles the contemporaneous arguments by Indian nationalist Sarkar (1939: 35), who argued that from the perspective of Asia, the world powers will in the future be divided into colonial and non-colonial nations, with Germany being the latter.

To achieve such partnerships, Ilgner (1938) advocated intensely studying the different markets of the world, having businesspeople travel to and stay in these countries to, on the one hand, gather information and, on the other hand, acquire the skill to evaluate reports from them at later points. He was a strong proponent of sharing available information among all German firms and the government for the sake of pursuing the national interest. He also suggested educating local employees and supporting German cultural institutions abroad to familiarize the local population with the German language and customs.

Like Ilgner, Wolfram Eitel, an experienced Siemens overseas manager, also observed that World War I had given a strong impulse to building local industries in overseas countries. In his memo of 1944, Eitel started outlining a strategy for the future (Siemens Overseas by Eitel, Oct. 1944, 8188, SAA). He observed that 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 with markets “with

strong nationalist movements,” as he described them, not just in India, but also in other formerly dependent territories.

Both Ilgner’s and Eitel’s elaborations suggest the emergence of a broader and more explicit business strategy for countries with aspirations for self-determination. They built on the premise that nations with a history of political and economic dependency on a highly industrialized country had common needs and aspirations that the German companies could exploit more fully if they developed a joint political strategy for these markets.

Germany’s unconditional capitulation ended World War II in 1945. While the country was dealing with major economic and social upheaval, government officials and MNEs were temporarily incapacitated but had not given up on the now formulated strategy. Almost immediately after the war, West German analysts identified India once again as a lucrative and open market. As early as July 1948, the Government of India signed its first Trade Agreement with the British and US occupation zones in West Germany, and India was the first country in the world to officially end the state of war with West Germany on 1 January 1950 (Das Gupta, 2004: 81-84). The German government reflected that many of the previous colonial countries preferred cooperation with Germany over Britain or France because it was (falsely) perceived as a “country without colonial past” (German Foreign Office (LRMatthias), 16 Mar.1961, B 58/115, PA, quoted in: Unger, 2012: 77). Hjalmar Schacht, former Minister of Economics (1934-37) in the National Socialist government, who visited India in 1951, confirmed this impression in a meeting with Ernst von Siemens and two leading Siemens managers. According to the internal memo, he posited that “we as Germans have the best commercial prospects”, while “British, Americans, French and Dutch are strongly rejected” (Memo 8 Dec. 1951, 11 Bauer LC 107, SAA). The interwar experience in India thus had a lasting effect into the postwar period on how

German stakeholders and MNEs viewed the strategic opportunities that nationalism presented to position themselves against rival MNEs from other countries.

Discussion and Theoretical Implications

The historical narrative highlights the emergence of German MNE political strategy within the context of rising nationalism and anti-colonialism in interwar India. Driven out of major developed country markets following World War I, Bayer and Siemens gradually found a market for their goods and services in India in part by politically positioning themselves as an alternative to British firms. The German MNEs competed not only based on their productive capabilities to meet market needs, but also by appealing to the Indian nationalist movement's aim of freeing the nation from political and economic dependence on their British masters – a value that defined the historical and aspirational identity of Indian nationalism in the period. Over time, the German firms engaged in practices and developed capabilities to exploit the opportunity to build political legitimacy in India and to politically position themselves vis-à-vis their British competitors. In this section, we draw out the conceptual implications (Maclean *et al.*, 2016) of the case for understanding the relationship between nationalism and multinational strategy formation.

From a bi-lateral to a multi-lateral political landscape

Incorporating the aspirational and historical characteristics of nations and nationalism into international strategy research provides a way to deepen analysis of the relational and perceptual nature of international political competition. Classic international business scholarship treated political strategy as defined by isolated, country-specific “political risks” (Kobrin, 1982). One of Ghemawat's (2007) key insights was to introduce a relational perspective on international business, for instance by treating international politics and political strategy as an aspect of the

“administrative distance” between home and host countries. Recognizing the aspirational and historical characteristics of nationalism in international strategy research provides a way to further deepen this relational view by moving from a bi-lateral to a dynamic, multi-lateral perspective on the international political landscape.

As the case illustrates, the rise of Indian nationalism reconfigured the political landscape that MNEs faced on the Subcontinent because it shaped Indian perceptions of the relationship between nations. Indian nationalists’ aspirations for independence and development was of course defined most strongly through the historical lens of the struggle against British colonial control and domination, but this historical lens also shaped how nationalists interpreted the relationship between nations more broadly. Thus, Indian nationalist affinity for Germany arose not only because of the non-British character of the German nation but also because Germany’s defeat in World War I, the onerous terms of Versailles, and the antagonistic relationship with Great Britain laid the foundation for the belief that the two nations shared a common historical experience and a common struggle. The case also highlights the dynamic nature of these perceptions of the relationship between nations, as both global events (e.g. World War I) and internal nationalist developments (e.g. Hitler’s rise to power) reshaped the way they were perceived in the nationalist imagination.

Thus, incorporating nationalism more fully into analyses of international business research allows scholars the opportunity to examine how actors (both host country stakeholders and MNEs) *perceive* the global landscape of the relationship between nations, and how these perceptions shape political opportunities and threats. The aspirational and historical nature of national identity, from this perspective, acts as a lens through which understanding of a nation’s relationship to other nations is defined (Abdelal, 2001; List, 2001 [1841]).

Geopolitical jockeying as MNE political strategy

Recognizing how nationalism shapes perceived relationships between nations is in turn crucial for understanding the strategic threats and opportunities it creates for multinationals.

International business scholars have of course already shown that firms sometimes exploit nationalist sentiment in competition with rivals. This research typically focuses on bi-lateral competition between MNEs and home-country firms, with a particular emphasis on how domestic firms appeal to nationalism to differentiate themselves from foreign competitors (Balabanis *et al.*, 2001; Elliott *et al.*, 1994; Saffu *et al.*, 2006). The historical case examined here, however, demonstrates that because economic nationalism shapes perceptions of multi-lateral relationships between nations it can also provide the basis for political differentiation *between MNEs from different countries*. Over time German MNEs gained political legitimacy in India in part by identifying and leveraging a shared national animosity to the British, and by positioning themselves as outsiders to the colonial relationship.

It is in this context of recognizing how MNEs might strategically capitalize on economic nationalism to politically position themselves vis-à-vis rival MNEs that we propose the construct of “geopolitical jockeying” in MNE strategy. We define geopolitical jockeying as MNE political positioning that is designed not only to gain legitimacy in the context of host country nationalism but also to delegitimize rival MNEs from other countries. Geopolitical jockeying involves engaging in practices and framing discourse around products, companies, and strategies in ways that seek to align national identities to serve strategic ends. As Teece (2014: 27) has put it, “If a host-country national system (and the MNE’s history) affords privileged access to the national system ... then individual MNE competitive advantage is possible.” Geopolitical jockeying involves precisely such advantageous political positioning.

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Because effective geopolitical jockeying of this sort can help MNEs gain access to markets and politically differentiate themselves from MNE rivals, it can be understood as a source of political opportunity, not just risk, for multinationals. The German MNEs chronicled in our narrative, for instance, used such strategies to expand their business in colonial India. In this sense, the concept of geopolitical jockeying moves beyond the MNE scholarship's traditional focus on political risk and identifies nationalist politics as an important area of economic opportunity in international business.

Aspirational political practices

Because it capitalizes on national identity, geopolitical jockeying can involve political practices and actions that extend beyond the scope often accounted for in multinational strategy research. Until recently, much multinational strategy research focused on the relationship between MNEs and host governments, assumed that these relationships were inherently adversarial and defined by political risk, and involved bargaining over the relatively near-term benefits and costs of international trade and investment (Gomes-Casseres, 1990; Kobrin, 1987; Vachani, 1995). Building on the work of Henisz and others (Bucheli *et al.*, 2018; Henisz, 2016), this article extends this reasoning by showing that political positioning vis-à-vis nationalist movements involved a much broader scope of actors and actions.

Indeed, within the context of colonial India, formal interactions with government officials represented only a small portion of German MNE political activity. Corporate leaders focused on Indian nationalists of some stature and found ways to build formal cooperative relationships with them. They also targeted local media sources, such as nationalist newspapers. And they concentrated their efforts in regions and industries known for their strong nationalist inclinations.

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Their political activities too were designed to convey alignment around long-term nationalist political ends, not just short-term gains from trade and investment. German MNE practices of investments in educational and training programs, for instance, not only distinguished them from British MNEs but also resonated with Indian nationalist aspirations for the acquisition of knowledge and capabilities that could contribute to national economic independence. In Listian terms, these were contributions to the accumulation of “capital of the mind,” and aspirational practices focused on positioning MNEs as partners who could help the nation build higher-level productive powers and not just acquire near-term resources and technological capacities. These practices could allow particular MNEs to present themselves as partners in the pursuit of long-term national aspirations and development and not only in terms of the material gains from trade and investment.

In short, aspirational political practices and actions oriented toward a diverse array of stakeholders supported a political strategy based on nationalism. The orientation of strategic political action of MNEs seeking to positioning themselves vis-à-vis nationalist movements was geared toward the future-oriented ambitions of nationalists rather than the immediate benefits of such relationships.

Political capabilities

The paper also contributes to research on the role of political capabilities in the strategy making process (Oliver *et al.*, 2008). Building on Teece (2014), Henisz (2016) has proposed extending the dynamic capabilities framework to MNE political capabilities based on what he terms “corporate diplomacy”. Unlike lower-level political capabilities, such as external affairs management, corporate diplomacy does not take the external environment as given but rather aims to work with stakeholders to shape the political context. “The same general higher-order

elements of dynamic capabilities can and should be applied to organizational and managerial efforts to win the hearts and minds of ... external stakeholders,” Henisz (2016:184) argues. The argument is similar to the one made by Jones et al. (2015: 318), who posit the need for international business researchers to examine more carefully how MNEs “shape and co-create the cross-border business context.”

This article deepens this reasoning by demonstrating the development of higher-order MNE capabilities designed to shape nationalist discourse. Over time the German MNEs we examined developed a set of capabilities designed to allow them to anticipate changes in political context and influence nationalist discourse and identities in ways that supported their political strategies. First, capabilities related to political intelligence gathering and analysis of stakeholders and movements were used with increasing intentionality to “sense” changes in the political environment and nationalist sentiment. This was most clearly apparent in I.G. Farben’s establishment of NW 7 as a political intelligence agency. The development of political information capabilities of this sort was not uncommon among mid-twentieth century multinationals engaged in politically sensitive or politically volatile industries (Storli, 2017).

Second, communication and alliance building capabilities were created to frame news and other information for various nationalist audiences in ways that were meant to allow firms to seize political opportunities and diffuse threats. Given the crucial role of media and social communication in the development of nationalism (Anderson, 1983; Gelner, 1983), the ability to influence the press and other communications media was an essential means for shaping national contexts. The case illustrates both the importance and challenging character of this task for German MNEs in interwar India, as they sought to highlight the compatibility of Indian and

German nationalism even as German home country nationalist rhetoric grew increasingly strident and racist during the Nazi regime.

Conclusion

While the scholarship on multinational strategy has paid relatively little attention to national identity and nationalism as contexts for MNE political strategy, historical research provides a unique long-term perspective from which to examine the relationship. In this article we have used the historical case of German MNEs in late colonial India to examine political strategy formation in the context of rising economic nationalism. Incorporating economic nationalism into international strategy research, we contend, requires understanding international politics in both symbolic and multilateral terms in order to account for the complex historical and aspirational relationship between nations. Doing so allows us to see how economic nationalism may create political opportunities, as well as threats, for MNEs. In a multilateral world, multinationals may engage in political strategies based on geopolitical jockeying in order to gain legitimacy in a national market in a way that delegitimizes rival MNEs from other countries. Such strategies, we contend, are based on an array of actions and practices oriented toward capitalizing on the history and ambitions of the host nation and cultivating political capabilities for gathering and framing information for home and host national audiences.

The particularities of our case study suggest a number of boundary conditions for the claims we have derived and point to opportunities for further research. First, the political opportunities for MNE geopolitical jockeying that we identify likely depended on the fact that domestic Indian firms lacked the capabilities in engineering and chemicals that Siemens and Bayer enjoyed. Geopolitical jockeying helped German firms position themselves vis-à-vis the British, but presumably nationalists would have preferred Indian-owned firms over foreign ones

if those firms had had the desired productive capabilities. Further research could explore such situations, as well as examine how geopolitical positioning changes over time if domestic firms develop capabilities that are competitive with foreign firms.

A second boundary condition pertains to the costs of maintaining a political position vis-à-vis nationalism in relationship to the benefits it provides. In the case of German MNEs in interwar India, the costs of maintaining the position clearly rose after the Nazi regime came to power, as Siemens and Bayer/I.G. needed to devote more resources to maintaining the claim that Indian and German nationalism were compatible. Further research could explore when such positioning becomes unsustainable or the conditions under which such positions are abandoned by MNEs.

Finally, the interwar period represented a historical moment of rising nationalism in India, and it is reasonable to hypothesize that the effectiveness of geopolitical jockeying as a positioning strategy may be limited to such periods. Further research is needed to examine how such strategies change during periods of declining nationalism.

A significant opportunity exists for further research that incorporates economic nationalism into the scholarship on multinational strategy. The long and rich history of economic nationalism, in this sense, offers a particularly useful mirror in which to reflect on the causes and consequences of economic nationalism for international strategy in our own time.

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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 Haverro 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 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.)

