



INDIA-CHINA TIES GAINING MOMENTUM

Ties between the two Asian giants are on an upswing and a growing number of Indian firms are setting up operations in China. **Shivkamal** reports from Shanghai.



BILATERAL trade between the two fastest growing large economies (even in the post-financial turmoil phase) in the world – India and China – may have only gained momentum in the last five years, but the relationship between the two countries in the form of an old trade route – the Silk Route – and interaction through the spread of Buddhism is centuries old.

For instance, an Indian Buddhist monk, Huili, founded the world-famous Lingyin monastery in Jiangan region (in east China) as early as 328 AD. Located close to Shanghai, now an established global financial centre, Lingyin temple has become a popular tourist destination. Millions throng the monastery every year.

The centuries-old inscriptions and manuscripts on display at the temple detail



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the historic links between India and China. The Lingyin temple even has reference to many Indian mythological characters.

What is more surprising is the fact that an Indian princess, who lived as a 'bodhisattva,' an enlightened being, is worshipped as 'Lady Buddha' in China. The statue of Kuan Yin (the Lady Buddha) can be found all over the country.

The general feeling in China, both among officials and business leaders, is that there is a lot in common between the two countries to ensure a perfect synergy between the two most populous nations.

"Bilateral trade fell drastically over the last two centuries due to various reasons," explains Yu Zhengsheng, member of the central committee politburo and secretary of Shanghai Municipal Committee of the Communist Party of China (CCP). "What is encouraging is the new-found interest among business communities of both the countries to forge hands and discover growth opportunities. This is just the beginning. We can expect more joint ventures between companies of both the nations."

Yu has been tasked with the responsibility of attracting Indian companies as well as other Asian conglomerates to set up shop in Shanghai. He recently visited Bangalore, India's Silicon Valley, and called

upon the IT sector to establish a footprint in Shanghai.

A sizeable number of Indian companies have already set up shop in China, particularly in Shanghai and Shenzhen, to gain an advantage while sourcing components. In the IT sector, a number of companies have set up development centres to tap the Chinese market.

All the top three software exporters from India, TCS, Infosys and Wipro, have established a foothold in China. According to N R Narayanamurthy, non-executive chairman and chief mentor, Infosys, "China holds a lot of potential for the IT sector. It is slowly opening up. Being there first always helps. We have already set up a Chinese subsidiary, Infosys Technologies (Shanghai) Co Ltd, in Shanghai."

The Bangalore-headquartered IT major, which set up its Chinese subsidiary in 2005, has committed to making a total investment of US\$65 million in the new centres in Shanghai and in neighbouring Hangzhou, which will accommodate 6,000 engineers.

Says Kris Gopalakrishnan, ceo, Infosys: "China is the fastest growing market for technology and services, especially for the financial services and telecom markets. It's natural for us to be there."

Wipro Technologies too has opened about half a dozen development centres in China. Wipro Shanghai will primarily serve the Chinese operations of its global customers, though later it may address the local Chinese market as well. Wipro has so far invested US\$200,000 in the Shanghai operation.

Hong Hangyong, CCP secretary of the administrative commission of Hangzhou Hi-Tech Industry Development Zone, notes that many Indian IT companies are evincing interest in setting up centres in China.

"The Infosys Hangzhou campus is the first large investment project by a global software company in the Hangzhou Hi-Tech Zone," points out Hong. "This is proof of the IT-friendly policies rolled out by the government in attracting



ESTABLISHING A FOOHOLD : Infosys has committed to invest US\$65 million in new centres in Shanghai and Hangzhou

SHANGHAI'S INDIAN CONNECTION

Shanghai has emerged as a hub for Indians living and working in China. There are about 1,500 Indians in the country's commercial hub, but many more visit the city, both on business and leisure.

The local Indian Consulate organises meetings for members of the Indian business community interested in investing in China.

"They have plenty to offer for small and medium enterprises," remarks Atul Sharma, who runs a small-scale unit in Pune. "I have found that we can cut costs drastically by partnering with Chinese companies."

Sharma is visiting Shanghai for the second time and hopes to sign a joint venture during his next visit. "In fact, I did not expect such a business-friendly environment in Shanghai. This has been a new experience. Things are falling in place quickly," he notes.

Ashok J, a market analyst in Shanghai, points out that there are a lot of enquiries from Indian companies looking for prospective partners in Shanghai. "There are numerous factors for synergy between Indian and Chinese companies. We have to find the right partner and it is not difficult. These days, the largest number of enquiries is for the small and medium industry sector."

Life in Shanghai is as good as in any international city. It can be compared to Mumbai in terms of its cosmopolitanism and to New York in terms of fashion consciousness.

Roads and public infrastructure are at par with any city in the developed world. Eight-laned roads, hundreds of high-rise buildings, beautiful parks and boulevards, multi-level traffic interchanges, an efficient public transportation system, including the world's first Maglev (magnetic levitation) trains – they all form part of what is modern Shanghai.

All the top fashion brands and leading multinationals – including Indian ones – have a presence in China's bustling commercial capital

A lot of attention is consequently given by local authorities to maintain international infrastructure standards. Another interesting aspect about Shanghai – at least from an Asian perspective – is the prevalence and popularity of cycling paths that promise to reduce vehicular traffic in the long run.

China's commercial capital has a floating population of about 20,000 expatriates, with Indians constituting less than a tenth of this, according to Shanghaiexpatriates.com, an information hub for international citizens.

The city has the largest number of Indian expatriates in the country, according to the portal.

Today, it is not difficult to find an Indian either in contemporary China or in a traditional Chinese market. While most of them work in multinationals, there is a growing trend among Chinese companies with Indian operations to hire Indians.

Telecom vendors like Huawei Technologies and ZTE have a significant number of Indians on their rolls and many are stationed on a long-term basis in China.

One common skill picked up by all Indian expats is the use of chopsticks. And though there are a few restaurants, like India and Vedas, that serve authentic Indian food, many Indians prefer Chinese cuisine.

"After spending six months in Shanghai, I realised that Chinese dishes are very different from those offered in India by the Chinese restaurants," points out Sandeep N, a project manager with HCL. "I may find it difficult to return to an Indian diet once I go back."

In terms of home entertainment, there are about 70 TV channels, of

which only a handful are in English. Indian soap operas are popular among the Chinese and many of the successful ones are telecast in Chinese.

The only major hurdle that visitors face is language and communication. Though English is a compulsory subject at the school level, the emphasis is more on the grammar aspect. Therefore, the Chinese tend to hesitate to converse in the language. Using a travel guide that has both English and Chinese characters can be of great assistance to first-time visitors.

But China is working towards resolving this practical problem. Tianhaibo, a high school teacher in Guangzhou province, says the focus of English education is gradually shifting towards 'spoken English' to ensure that the Chinese do not face problems while interacting with foreigners.

"We found a fundamental flaw in our style of teaching," he says. "The stress was on grammar, as a consequence of which students found it hard to speak in English. Now, we are working towards easing that teaching method. The focus will be on making English speaking easy."

The coming together of the two Asian giants is indeed not just restricted to the business sector; as an increasing number of Indian expatriates live and work in cities like Shanghai and Beijing, socio-cultural ties are also bound to increase.



INDIA INC. IN CHINA

The growing proximity between the two Asian neighbours is reflected in the fact that over a 100 Indian companies have a presence in China today.

IT majors have discovered the importance of setting up development centres, training institutes, sales offices and other facilities in China.

Indian IT firms that have a presence in China include Aptech, Cognizant Technologies, Hexaware Technologies, I-Flex, I-Gate, Infosys, L&T Infotech, NIIT, Sasken Communications, Satyam Computer Services, Semindia, Tata Consultancy Services, Tata Infotech

Education, Wipro, Zensar Technologies and 3Infotech.

Indian banks also have a strong presence in the People's Republic. They include Allahabad Bank, Bank of Baroda, Bank of India, Canara Bank, ICICI Bank, Indian Overseas Bank, Punjab National Bank, State Bank of India, UCO Bank, Union Bank of India, UTI Bank and Vijaya Bank.

Pharmaceutical companies, including Aurobindo Pharmaceuticals, Dr Reddys, Matrix Labs, Orchid Pharmaceuticals, Ranbaxy and United Phosphorous also have a significant presence in China.

Other Indian groups and businesses with a foothold in China include the Aditya Birla group, Apollo Tyres, Asian Paints, Bajaj Auto, Bharat Forge, Essar, Essel Propack, Gas Authority of India Ltd, Godrej, Jindal Stainless, JK Tyres, Jubilant Organosys, L&T, Mahindra & Mahindra, MMTC, Mphasis, MRF, Raymond, Reliance Industries, Subex Systems, Sundram Fasteners, Suzlon, Tata International, Thermax, Tube Investments, TVS Motors, Videocon and Voltas.

As ties between the two countries improve, the list will keep increasing over the years.

worldclass organisations. Investment by a global leader such as Infosys will enhance Hangzhou's attempts at building an IT centre in this beautiful city, which is also a science and technology centre. It will also start a new chapter in the development of the software industry in Zhejiang province. (where Hangzhou is located)."

It is not only software development companies that have made their presence felt in China – even IT training institutes have commenced operations in a big way. Prominent among them are NIIT and Aptech. Walking on the streets of Shanghai, it is easy to spot an NIIT training institute. There are nearly 500 NIIT centres across China.

Non-IT companies from India had established a presence in China much earlier. Dr Reddy's Laboratories (DRL), one of India's leading pharmaceutical firms, was among the first to foray into the Middle Kingdom about 10 years ago.

After Chinese companies started marketing norfloxacin, a basic ingredient in antibiotics, in India, competing with DRL, it responded positively to take on the challenge. It is not only buying raw materials from China today, but has also set up a joint venture in Shanghai with over a 100 people on its rolls.

Bilateral trade between India and China, which stood at US\$1.8 billion in 1998, has soared to US\$29 billion in fiscal 2007-08. This is expected to reach US\$50 billion over the next three years.

When former Chinese premier Zhu Rongji visited Bangalore three years ago, he had a special message: "Don't think about competition, but about complementarities. We have our respective advantages and should learn from each other."

Zhu's words have to be taken seriously considering the public and business infrastructure that China is putting up to attract investments. Shanghai Zhangjiang Group (SZG) is establishing a number of special economic zones and IT parks to attract world-class enterprise.

"As part of our vision for Shanghai, we are committed to creating a pervasive IT culture in the city," says Chen Jianbo, ceo, SZG. "New development centres by Indian companies in the region are proof of the IT-friendly policies rolled out by the government in attracting world-class organisations. We wish Indian companies all success in this venture and hope these development centres will be a model for others to follow."

Traditionally, India and China have close ties in the old economy segment.

STITCHING NEW TIES : Indian textile firms are increasingly sourcing machinery from China



New development centres by Indian firms in the region are proof of the IT-friendly policies of the government to attract world-class organisations.

For instance, India is the third-largest exporter of iron ore to China after Brazil and Australia.

Of the 93 million tonnes of iron ore that India exported last year, 80 per cent was consumed by Chinese steel mills. Geographical proximity and the quick turnaround time for oceanic vessels have made India a favourite for Chinese iron ore importers.

Most Indian companies source their textile machinery from China. Recently, the Clothing Manufacturers Association of India (CMAI) tied up with the China Sewing Machinery Association (CSMA). The long term plan of the CSMA is to set up manufacturing plants in India to meet the local demand by driving down the prices.

Analysts feel this is the right time for both countries to cooperate, with the likely worldwide recession expected to take a toll on developed nations.

With the largest foreign exchange reserves in its kitty, China is being termed as the beacon for struggling economies in Africa and Latin America.

"This being the scenario, India cannot afford to sit back and watch the proceedings," notes Rajaram S, a trade analyst with Suzhou Investment Banking. "India should join hands with China, not only to strengthen each other's economy, but also to ensure a new order. No doubt both countries will be exposed to the global recession, but they are strong enough to withstand it."

