

China pitches against India

China has had its eyes on Bangalore and decided that outsourcing, is an attractive proposition as yet another avenue for attracting overseas investment. Madeleine Sturrock takes a brief look at the current situation in China.

OUTSOURCING (relocating business processes to other locations, usually abroad) is something we are all familiar with in the UK, but is still a relatively new business activity. One could argue that China was slow to get started in this field, but, since a new policy was put in place by the Ministry of Commerce in October last year, there has been feverish activity to attract investors.

Mofcom's new policy (which can be read in more detail on the Ministry's website (mofcom.gov.cn) approved 11 cities where outsourcing ventures would be encouraged. They are (roughly from north to south): Dalian, Beijing, Tianjin, Xi'an, Jinan, Nanjing, Shanghai, Hangzhou, Chengdu, Wuhan and Shenzhen. The sectors stipulated are: software, financial services, film and television, innovation and design, specialist services (e.g. accountancy, legal) and commerce. There is also the catch-all category 'other'. Some of these cities have made an early start. By all accounts, Dalian is the most advanced with an annual output of Yn10m in this field (the latest figures available). Dalian has concentrated exclusively on software outsourcing and has attracted several multinationals including HP, Dell and Nokia.

Another city that is fast catching up is Tianjin. Tianjin, which benefits from its close proximity to Beijing and is home to China's second largest port, is building a dedicated software park close to its financial district and Tianjin University's Science & Technology Park, in its state-level development zone, TEDA. However, it is not concentrating solely on software outsourcing. Standard Chartered Bank has set up a 'shared service centre' in TEDA to support its future growth of business in China.

Katherine Tsang, chief executive officer of Standard Chartered Bank in China, said, "Standard Chartered has been growing rapidly in China and our operations have almost doubled in scale and volume since early 2005. The shared service centre in Tianjin is part of this business strategy. Tianjin has been selected as it is best suited to the requirements based on our list of stringent criteria, which included factors such as location accessibility, manpower availability, overall cost effectiveness and many others. The city is also centrally located at the Bohai area, an economic development zone that well positions us for future growth."

Whilst some policy directives have come from Mofcom, each city will decide its own preferential policies to attract investment. As far as TEDA is concerned, it has funds of Yn100m in place to offer as subsidies for office and accommodation rental, telecommunications subsidy, a certification subsidy and a staff training subsidy amongst various other incentives for setting up in TEDA.

In addition to the preferential policies, companies considering outsourcing will need to ensure that other factors are in place - a reliable and continuous source of power and a plentiful supply of trained graduates with additional high-level skills (for example, English) are essential.

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