

Dancing with the dragon

Trade skew notwithstanding, PM Modi's Make In India pitch warrants taking China along instead of taking on the manufacturing powerhouse

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Chinese workers at the Wipro consumer products' factory in Dongguan.

CHINA CALLING

As long as 'Make in India' remains a work in progress, not only Chinese companies but Indian firms that have been manufacturing in China will likely find the Middle Kingdom, with its long-established road and port infrastructure, coupled with integrated supply chains, an easier place to do business. One of the first Indian companies to build a factory in China was Essel Propack, which in 1997 opened its first factory in Guangzhou, one of China's earliest Special Economic Zones. Today, the company operates five factories across China, the latest opening in January this year. Over the past decade, the company says, its exports out of China have increased more than 300 times.

A few hours up an immaculately laid six-lane highway from Guangzhou port is the massive manufacturing city of Dongguan, the heartbeat of China's export industry. One of the early foreign entrants was another Indian company, Wipro Consumer Care & Lighting, which acquired

a factory more than a decade ago. The packaging factory produces a wide range of cosmetics products that are shipped across Asia from the Wipro Unza Dongguan plant. "The key to what Dongguan got right," says Nagender Arya, who heads Wipro Consumer Care's East Asia, West Asia and Africa operations, "is infrastructure that was built before the manufacturing set-up came. They have fast clearances, whether you're local or foreign. These are some of the things we need to replicate."

Indeed, there is no quick-fix solution. In India, unlike in authoritarian China, the task ahead is in many ways more complicated, considering central decision-making alone is not enough; since ease of doing business is a state subject, states need to be brought on board too. Yet there is much India can learn from the China story despite the different politics. In Guangdong, it was a host of local-level reforms that spurred the entry of foreign investment, with policy changes that included a more appealing tax structure and reformed labour laws to changed FDI policy. There were also sustained investments in education, to build a skilled workforce, and in infrastructure over two decades.

These changes cannot happen overnight, says K. Nagaraj Naidu, director of the Ministry of External Affairs' Investment & Technology Promotion Division who was until recently India's consul general in Guangzhou and a China-based diplomat for six years. "What we need to do is use 'Make in India' as a benchmark, and in the next five to 10 years aim at sustained investment and creation of infrastructure and supply chains. You must encourage domestic manufacture, but that does not mean you prohibit imports. The point is, you must make manufacturing attractive," he said.

Naidu added that it is unrealistic to aspire to becoming a great manufacturing hub within a matter of one or two years. "You cannot take off without having anything in place," he said. "And China is the example that we must keep in mind." Hopefully, Modi will get a useful reminder of that during his visit.

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