

December 11, 2006

China to Develop 10 Outsourcing Base Cities by 2010

Anil K Joseph, Beijing, Dec 11: In an apparent bid to challenge [India's](#) dominance of the global outsourcing market, China has decided to develop 10 outsourcing base cities by 2010 to transform the Communist giant as the most favoured outsourcing [destination](#) of multinationals.

The ambitious plan would encourage 100 multinationals to shift offshore outsourcing services to China and foster 1,000 large and medium-sized service outsourcing enterprises, Assistant Minister of Commerce Fu Ziyang said.

The first base cities would be Shanghai and Dalian in east China, Xi'an in northwest China, Chengdu in southwest China and Shenzhen in south China.

The government is aiming for a fourfold increase in its service outsourcing export volume during the 11th Five-Year Plan period (2006-2010).

"The Ministry of Commerce is to channel social resources into innovation-oriented enterprises, and support policies will focus on enterprises rather than export products," Fu said.

The global service outsourcing market stood at between 300 billion and 500 billion dollars. The market is expected to reach one trillion dollars in 2008.

In 2005, China's exports of service outsourcing were worth 900 million dollars.

A report by the [United Nations](#) Conference on Trade and Development said China was already a favourite choice for multinationals' [research and development](#) and could build on that to provide a range of outsourced services.

Indian [software industry](#) sources said the Chinese government is paying high attention and investing a lot of funds in developing software bases as well as outsourcing centres around the country. Chinese IT companies are also [recruiting](#) Indians in large numbers so as to overcome the English-language barriers and winning contracts in the US and Europe, traditionally the major markets for Indian software companies.

The Chinese government's long-term plan on outsourcing comes after Beijing recently stepped up activities to establish export-oriented software bases in the country.

The Chinese Ministry of Commerce has just granted the status of national software export base to Guangzhou in southern China, Nanjing, Hangzhou and Jinan in east China and Chengdu in southwest China.

With the six existing bases -- Beijing, Shanghai, Tianjin, Xi'an, Shenzhen and Dalian -- China now has 11 national software export bases.

Indian software giants like TCS, Infosys, Satyam, Wipro, NIIT and i-flex are already present in Chinese cities like Beijing, Shanghai, Hangzhou, Dalian, Shenzhen and Guangzhou.

Another Chinese vice-minister of commerce, Yi Xiaozhun said the ministry will help these bases develop software brands for the international market.

Support for the bases will include interest rebates, Research & Development funding, personnel training, corporate qualification certification, export credit loans, [credit insurance](#), commercial information and protection of intellectual rights.

--- PTI