

Foreword by William Antholis
Managing Director, The Brookings Institution

THE SILK ROAD REDISCOVERED

How Indian and Chinese Companies
Are Becoming Globally Stronger by
Winning in Each Other's Markets



**ANIL K. GUPTA,
GIRIJA PANDE, HAIYAN WANG**

JOSSEY-BASS™
A Wiley Brand

Praise for The Silk Road Rediscovered

“To become really global, Indian business must extend its footprint to China. *The Silk Road Rediscovered* is a must-read for those who wish to understand the challenges of doing so and assess the opportunities that it offers. Based on detailed case studies, this book is really the only practitioner's guide on this subject. Equally, it offers valuable insights into the mirror image story still unfolding—the arrival of brand China in India. That is already making an impact in many ways. What Gupta, Pande, and Wang offer is a look at an economic future to which the rest of us have not yet fully woken up.”

—**S. Jaishankar**, Ambassador of India to the United States and former Ambassador to China

“By 2050, China and India will probably have the two largest economies in the world. Success is not guaranteed. Yet it is also clear that if they cooperate, they will rise together. This book could not be timelier. Gupta, Pande, and Wang explain well how companies in both countries can leverage off each other. If they do this, they will also help to preserve peace between Asia's two giants.”

—**Kishore Mahbubani**, dean, Lee Kuan Yew School of Public Policy, National University of Singapore and author of *The Great Convergence*

“As two potential global giants, the Dragon and the Tiger will inevitably have to learn to live together, work together, and aspire to a convergence of interests. One of the best ways to do this is through business. This book is a timely reminder of the need to rediscover, indeed to reinvent, the Silk Road that once bound these two nations together. This is easier said than done. There are, as of now, wide differences in terms of political ideologies, geopolitical realities, and cultural mindsets. However, these are all part of the excitement of doing business in a globalized world. *The Silk Road Rediscovered* encapsulates the steep learning curve experienced by Indian companies doing business in China and by pioneering Chinese companies that have chosen to put their faith and money in India. It distills the lessons learned to produce a strategic roadmap. With its trenchant analysis and wide as well as deep perspective, this book is an indispensable guide for anyone planning to travel the new Silk Road.”

—**Anand Mahindra**, chairman and managing director, Mahindra & Mahindra

“Without any doubt, market size and the quality of talent available in any country are highly relevant factors for almost every company. This central fact makes the Chinese and Indian markets extremely important for companies based in these countries. *The Silk Road Rediscovered* provides a brilliant analysis of how Chinese and Indian companies are strengthening their competitive advantage by leveraging the unique strengths of each country, integrating these strengths globally, and ensuring management consistency during the globalization process. I recommend this book highly to the leaders of not only Chinese and Indian companies but also to those of any aspiring global enterprise.”

—**Guo Ping**, deputy chairman and rotating CEO, Huawei Technologies

“China and India are rapidly on the way to becoming two of the most important planks of the global economy. Unfortunately, mutual suspicion has held back stronger cooperation between these two countries. Anyone who has worked in these two countries can recognize the tremendous growth that can occur if companies in India and China better understand each other. Based on analyses of pioneering companies from both sides, *The Silk Road Rediscovered* provides a timely strategic roadmap for Chinese and Indian companies to succeed in each other's markets. A strong by-product will be an improvement in relations between the two countries. I view this book as essential reading for not only corporate executives but also policy makers interested in the China-India relationship.”

—**Ajit Rangnekar**, dean, Indian School of Business

“The Silk Road Rediscovered directs the searchlight on a key global relationship, between India and China, focusing on their economic ties. The authors pithily say that this is just ‘Day One’ in the evolution of this relationship. There are tremendous opportunities and also redoubtable challenges ahead. Instant gratification is not guaranteed but long-term commitments are vital. For Chinese companies particularly, there is need for rapid learning and understanding the rich diversity of India. It is this focus on the big picture that captures attention as the authors take us through the experience, the dos and don'ts of doing business in either country. The takeaway is that the two countries must take advantage of the cascade of opportunities that lie ahead, learning from the past few years, and forging through this process, a resilient and strong relationship that buttresses economic development for mutual benefit. An important study, deserving a thumbs-up from all students of the India-China relationship.”

—**Nirupama Rao**, former Foreign Secretary, Ministry of External Affairs, India and former Ambassador of India to China and the United States

“As China and India grow to become even bigger economic giants, trade and investment linkages between them will grow exponentially. It is imperative that companies from India as well as China figure out how to engage with the other country in order to not only win locally but also become stronger globally. As we know from the experience of Tata companies, doing so requires conviction, creativity, and commitment. *The Silk Road Rediscovered* is a pioneering book written by authors Gupta, Pande, and Wang who are well-versed with increasing commercial ties between both countries. The book lays out the case for mutual engagement and provides detailed analyses of the evolutionary journeys of Indian companies in China and Chinese companies in India.”

—**Ratan N. Tata**, chairman, Tata Group (1991-2012)

“The spectacular growth of China over the past thirty years and that of India in the past fifteen years are unprecedented in the annals of human history and are the inspiration for the rest of the emerging economies worldwide. Never before have we had so many people lift themselves from poverty and realize their dreams in such a short time in recorded history. Until recently, however, these two great economies had been growing despite each other and often in rivalry for the world's attention and its investments. That has changed and Chinese and Indian companies are discovering their respective markets and creating greater economic benefit for all with far greater implications for their own worldwide market success. That story has been largely untold until now. *The Silk Road Rediscovered* is a pioneering work that should be on the desk of every global manager and every MBA student with its chapter headings akin to the headlines that are shaping the modern day world. Gupta, Pande, and Wang have left a legacy that will inspire many keen observers of global forces shaping our world.”

—**Shane Tedjarati**, president and CEO, Honeywell Global High Growth Regions

Cover design by Adrian Morgan

Cover image: © Thinkstock and Shutterstock

Copyright © 2014 by John Wiley and Sons. All rights reserved.

Published by Jossey-Bass

A Wiley Brand

One Montgomery Street, Suite 1200, San Francisco, CA 94104-4594—

www.josseybass.com

No part of this publication may be reproduced, stored in a retrieval system, or transmitted in any form or by any means, electronic, mechanical, photocopying, recording, scanning, or otherwise, except as permitted under Section 107 or 108 of the 1976 United States Copyright Act, without either the prior written permission of the publisher, or authorization through payment of the appropriate per-copy fee to the Copyright Clearance Center, Inc., 222 Rosewood Drive, Danvers, MA 01923, 978-750-8400, fax 978-646-8600, or on the Web at www.copyright.com. Requests to the publisher for permission should be addressed to the Permissions Department, John Wiley & Sons, Inc., 111 River Street, Hoboken, NJ 07030, 201-748-6011, fax 201-748-6008, or online at www.wiley.com/go/permissions.

Limit of Liability/Disclaimer of Warranty: While the publisher and author have used their best efforts in preparing this book, they make no representations or warranties with respect to the accuracy or completeness of the contents of this book and specifically disclaim any implied warranties of merchantability or fitness for a particular purpose. No warranty may be created or extended by sales representatives or written sales materials. The advice and strategies contained herein may not be suitable for your situation. You should consult with a professional where appropriate. Neither the publisher nor author shall be liable for any loss of profit or any other commercial damages, including but not limited to special, incidental, consequential, or other damages. Readers should be aware that Internet Web sites offered as citations and/or sources for further information may have changed or disappeared between the time this was written and when it is read.

Jossey-Bass books and products are available through most bookstores. To contact Jossey-Bass directly call our Customer Care Department within the U.S. at 800-956-7739, outside the U.S. at 317-572-3986, or fax 317-572-4002.

Wiley publishes in a variety of print and electronic formats and by print-on-demand. Some material included with standard print versions of this book may not be included in e-books or in print-on-demand. If this book refers to media such as a CD or DVD that is not included in the version you purchased, you may download this material at <http://booksupport.wiley.com>. For more information about Wiley products, visit www.wiley.com.

The Library of Congress Cataloging-in-Publication data is on file.

ISBN 978-1-1184-4623-2 (cloth),

ISBN 978-1-1188-9601-3 (pdf),
ISBN 978-1-1188-9593-1 (epub)
FIRST EDITION

Dedicated to our parents, Charan Dass and Chandra Prabha Gupta in the case of Anil, and Wang Yi and Chen ZongRong in the case of Haiyan, who have ingrained in us their devotion to learning; and our children, Anjali, Meili, and Rahul, who have figured out so well how to integrate hard work with fun.

Anil and Haiyan

Dedicated to my mother, Brajangana, whose book of poetry published some years ago inspired me to write, and to Bharoti, my wife and exacting home-editor, whose constant encouragement kept me going. I am also grateful to our children, Rahul and Aakanksha, and son-in-law, Ziad, for their honest feedback at every stage.

Girija

Foreword

Are India and China natural rivals? Do their deeply different and contrasting histories, cultures, institutions, and economies lead them to compete in a zero-sum manner? Or can these near reverse-image giants complement and attract one another, building a common future? The fate of one-third of humanity lies in the balance of these questions.

For nearly a half century, the dominant view of American political and economic leaders has been that Asia's two great civilizations are destined to clash. Asia's two giants have given little reason for foreigners to believe that they are capable of forging a common future.

I have experienced the pessimistic view first hand—in America, and in both India and China. My first glimpse was in Washington, DC. In November 2011, before departing for my own five-month study tour across Asia, I met with a senior U.S. government official responsible for policy toward China. In the center of his coffee table was one book, and only one book. It was Robert Kaplan's latest: *Monsoon: The Indian Ocean and the Future of American Power*. Kaplan's compelling travelogue explored strategic investments by Chinese state-owned companies in ports surrounding India and also examined India's emerging strengths as a democracy and market economy.

Many senior U.S. officials bought Kaplan's argument, sharing his view that the U.S. should take advantage of the tension between Chinese state-driven capitalism and India's emerging high-tech democracy. For the United States, stronger ties with India could serve as a counterweight to China. This asymmetric treatment of the

world's two largest nations would become a centerpiece of the Obama administration's "pivot to Asia."

Seeing Indian and Chinese differences as the basis for a rivalry to be exploited is a time-tested tradition in U.S. foreign policy. Senior officials in the Truman, Eisenhower, and Kennedy administrations all saw democratic India as a bulwark against communist China. President Nixon's détente with China turned those tables around. America soon became fascinated with a more open and capitalistic China, and began to compare it to a sclerotic India, mired in an archaic caste system and endemic corruption. It took another two decades for the pendulum to swing back toward India, only after the Tiananmen Square event and China's growing export prowess began to steer American leaders toward a more wary assessment. Presidents Clinton and Bush began to explore a deeper relationship with a more liberal and resurgent India as a like-minded ally.

Regardless of which way these American officials leaned, they were all inclined to focus on the differences between China and India. And who can blame them? Anyone who has spent time in India and China immediately focuses on the contrasts, and tries to assess them. Many have sided with the enormous economic success of China. When travelling with my family in 2012, my eight-year-old daughter seemed to take this perspective. As we arrived in Beijing after nine weeks in India, and sped down a modern freeway toward our steel-and-glass service apartment, she said approvingly, "Daddy, this looks more like America." The Chinese emphasis on manufacturing, infrastructure, and social order make China's leading cities appear to be modern, Asian versions of Western cities.

By contrast, Indian cities appear more chaotic, interspersing glimpses of modernity with cows wandering aimlessly through city traffic. Slums jostle right alongside

downtown business districts. Driving down an Indian road is multitasking for the senses—with a panorama of colors, a cacophony of horns and bells, smells of sewage and incense, and the grit and dust of roads in transition.

Still, for all of India's chaos, there is much for an American to admire, if not love. The country's deep commitment to democracy, freedom of speech and press, protection of religious minorities, and attention to the rural poor remain its long-term strength. China's far more hierarchical, authoritarian culture, with little public debate, seems opaque to most Americans. When that system seemed to work, many foreigners were willing to dismiss its moral failings. But in recent years, its ineffectiveness has begun to shine through. China's economic growth has slowed and it also has left in its wake staggering air pollution, toxic rivers, unsafe food, and rampant corruption.

But do these stark differences automatically lead to rivalry for the world's two most populous countries? Or are they an opportunity for greater cooperation? At its most basic level, international trade and investment have been all about making matches when two nations have complementary assets.

That is the starting point for Anil Gupta, Girija Pande, and Haiyan Wang's terrific volume. In seeing Chinese and Indian differences as an opportunity, they have been careful to stay away from misty-eyed optimism. A major strength of this book is that Gupta, Pande, and Wang start with what works. Whether it is Indian tech instructors helping Chinese universities or Chinese manufacturers working on the ground in India, the specific details show that cooperation is real—and really valuable.

These successes, in turn, speak to broader common themes emerging in both countries. Throughout this volume, the authors remind the reader of deeper trends and histories in

both countries that potentially bind them together. Several of those themes are worth noting upfront.

First and foremost, each in their own way, both countries have made a basic commitment to private enterprise. That commitment is not to be taken lightly. Resistance to capitalism lingers in these two nations that still, on paper, call themselves communist and socialist. Still, it is the growing role of the private sector that is expanding cooperation between both countries.

Gupta, Pande, and Wang's work is so critical because, for that commitment to succeed, these nations need to reinforce in one another the centrality of market forces to economic growth. Much in the same way that France and Germany learned to make their market economies complement one another as the anchor for a Europe whole and free, China and India will need to match their market economies if growth is going to bind Asia.

Similarly, both countries are committed to technological modernization—even if they often are getting there via very different paths. That joint commitment means that both countries value science and technology as a driver of commerce. As any businessperson knows, successfully commercializing a scientific breakthrough involves taking the insights of any particular technologist and building repetitive processes that are then sold at scale to a wide range of consumers. That requires a trained workforce—whether in refining that technology or simply using advanced manufacturing inputs. India and China each have national strengths in that life-arch. India brings terrific technology schools, an aspiration of its top companies toward world-class intellectual property protection, and a history of large corporate investments. China's enormous strengths are almost perfectly complementary: logistics, mass manufacturing, strategic focus, and marketing.

The word *convergence* appears regularly in this volume. In technical terms, that marks China's shift away from investment and manufacturing and toward services and consumption.

And for India, that means the exact opposite. But more broadly, the real convergence that seems to underline this trend is one about values. For China, the switch to a consumption-oriented, service economy has meant allowing its people to enjoy the fruits of their labor and to be more open in expressing a range of views and opinions. For instance, my entire family noted with fascination the enormous interest in Buddhism—and with religion in general—among the rising generation of Chinese. In India, the attention to manufacturing and infrastructure means harnessing a swirling, spiritually heterogeneous society, and bringing a greater discipline in the pursuit of material success. While attachment to religious identities remains strong in India, the new focus on materialism has certainly begun to erode some ancient institutions, such as the caste system.

That convergence is taking place as both countries struggle with major social upheaval. In both countries, a small handful of cities and provinces/states has produced the lion's share of wealth in the last three decades. Hundreds of millions of poor have flocked toward major cities in search of work. As both countries have tried to create jobs—both for migrants and for those left behind in their hinterlands—taking advantage of local resources has been critical. These enormous social forces are taking place across vast human populations—where in both China and India, a medium-sized province or state is often as large as a major European country.

One of the great lessons of *The Silk Road Rediscovered* is how much these local characteristics come into play in the

strategic decisions and actions of companies, in both directions. Gupta, Pande, and Wang provide a business-oriented look at unique local flavors when it comes to doing business in each place. They dispel the notion that a single approach will work in the world's two most populous countries. The emerging company-to-company, city-to-city, and state-to-province connections are crisscrossing the Himalayas, connecting Shenzhen's Huawei to an R&D center in Bangalore, Mumbai's Tata Motors to a manufacturing facility in Chongqing, and Gurgaon's NIIT to its university partners in Shanghai, Wuxi, Chongqing, and Chengdu. In fact, the level of detail in this book reinforces the extraordinary diversity within both countries. Their parallel diversities, convergences, and growing economic links might just as well be called *New Silk Roads Discovered*.

Yet amidst all this local diversity, the authors are quite attuned to the global context in which this cooperation takes place. They constantly remind strategists not only to think long-term, but also to think in global terms. Each different local player in China and India fits into wider regional and global trading and investment networks. Trade and investment between these two giants will not work simply because one part of India invests in one part of China, or vice versa. Successful strategies will place that bilateral cooperation into the global system of trade and investment. It is that kind of far-sighted global vision that will lead to success in the twenty-first century.

William Antholis, Washington, DC, January 2014

William Antholis is managing director of the Brookings Institution and a senior fellow in Governance Studies. He has served in the U.S. government at the White House and the State Department. He is the author of *Inside Out, India and China: Local Politics Go Global* and coauthor with

Strobe Talbott of *Fast Forward: Ethics and Politics in the Age of Global Warming*.

Preface

In May 2013, barely two months after his election by the Communist Party Congress, Premier Li Keqiang embarked on his maiden official visit outside China. The first stop on his tour? A three-day visit to India—a clear signal of China's foreign policy priorities. Upon his arrival, the premier remarked, “We are one-third of the world's total population and our interactions attract the world. Without doubt, China-India relations are [among the] most important global relations.”

Like many neighbors, the relationship between India and China remains full of tensions, economic as well as geopolitical, and they are unlikely to melt anytime soon. We predict, however, that by 2025, economic ties between the two countries will be among the ten most important bilateral ties in the world. It is a near certainty that by then, China and India will rank among the four largest economies in the world. Both are also launching global champions across a range of industries from technology (Tata Consultancy Services [TCS], Infosys, Huawei, and Lenovo) to heavy manufacturing (Tata Motors, Mahindra, Geely, and Chery) to consumer goods (Godrej and Shuanghui). Given the size and growth rate of the two economies, Chinese and Indian companies with global ambitions have little choice but to look across the Himalayas and see one of the world's largest markets sitting right next door.

Economic ties between India and China have been dominated so far by trade rather than investment. Bilateral trade between the two grew from less than US\$3 billion in 2000 to US\$69 billion in 2012—an annual growth rate of almost 30 percent, significantly faster than the 19.4-

percent and 19.2-percent annual growth rates, respectively, in China's and India's trades with the rest of the world, or the 9.2-percent growth rate in world trade. In contrast, the stock of direct investment has been small. However, the picture is changing rapidly. India's Mahindra Group is now the fifth-largest tractor manufacturer in China with a market share of about 9–10 percent. Tata Motors' Jaguar Land Rover subsidiary (JLR) has been the fastest growing luxury auto seller in China over the last five years and is now investing in a manufacturing plant as well as R&D facilities. China's Huawei has had its second largest R&D center in Bangalore since the late 1990s and currently employs about five thousand people in India. Lenovo is one of the top three PC companies in India. And Haier, the home appliance giant, currently manufactures refrigerators at a plant in Pune. These are just some of the new developments presently under way and illustrate how some of the pioneering Indian and Chinese companies are busy rediscovering the fabled Silk Road that in ancient times joined their nations and served as the avenue for economic links and mutual learning.

This is the first book ever to analyze the growing corporate linkages between India and China. The book's uniqueness also derives from the fact that it combines the authors' academic rigor with their wide-ranging and deep executive and consulting experience. Importantly, it also brings together the authors' diverse national backgrounds as well as upbringing and professional experience across several cornerstone economies—India, China, Singapore, and the United States. We trace the historical ties between the two civilizations, the recent history of geopolitical tensions between them, how their citizens view each other, and the future of economic links between them. We look at the potential opportunities and challenges that China will offer during the coming decade to foreign companies, including

those from India. We present insightful case studies of the China journeys of several well-known Indian companies including TCS, Mahindra Tractors, NIIT, and Tata Motors/Jaguar Land Rover. These case studies may inspire and offer lessons to other Indian companies contemplating a move into China. The book also includes several case studies of pioneering Chinese companies—Lenovo, Huawei, TBEA, Haier, and Xinxing Heavy Machinery—that have made a strong commitment to India and are beginning to realize the fruits of this commitment. We close by offering a China-focused strategic roadmap for Indian companies.

The book is targeted at the leaders of Indian and Chinese multinationals for whom the other country could be a supplier, a customer, a competitor, and a partner, and who view their Himalayan neighbor with a sense of mystery and perhaps trepidation. It should also be of high value to the leaders of multinational corporations (MNCs) in the United States, Europe, Japan, South Korea, and other countries. The success of major Indian and Chinese companies in each other's markets is bound to strengthen them, whet their appetite for further global expansion, and create greater competition in the future. Growing economic integration between India and China will also offer new opportunities as well as new competitive challenges to all multinationals. Thus it is important for MNC executives to know what is transpiring. Finally, we anticipate that the book will also be of great interest to policy makers and scholars as well as business students worldwide with an interest in the rise of global champions from China and India.

Chapter One discusses the evolving ties between India and China. While the primary focus of this chapter is on economic linkages, we begin with a discussion of the historical ties between the two civilizations, the recent history of geopolitical tensions between them, and how their citizens view each other. This multifaceted

examination of cross-country ties is important because economic relations are embedded in cultural linkages, personal attitudes, and geopolitical relationships. The chapter goes on to look at the factors constraining or propelling the ongoing growth of the two economies and where they are likely to rank in the global leagues—circa 2025. We also make the case that the next ten years will be marked by greater convergence rather than complementarity in the two economies. We then analyze the structure of trade and investment linkages between the two economies and argue that the coming years will see faster growth in investment rather than in trade linkages.

Chapter Two presents an overview of the opportunities and challenges that China poses for multinational companies, with a particular focus on those from India. The opportunities derive from the changing structure of the Chinese economy. Since China is not a niche economy, opportunities exist everywhere. Nonetheless, certain industry sectors offer higher-growth opportunities than do others. These include services of almost all types: industrial automation, solutions for energy efficiency, pollution control equipment and services, technologies for boosting agricultural productivity and addressing water scarcity, and, last but not least, most types of luxury goods. In this chapter we also examine the challenges pertaining to the “Indian mindset” regarding China, some important differences in the value systems of the two cultures, the omnipresent role of the government and the Communist Party in China, China's legal system, the vastness and diversity of China, the rapid pace of change, the differing priorities of large companies in China (mostly state-owned enterprises) versus those in India (mostly private-sector companies), intellectual property risks, managing talent, and building an institutional brand in China.

Chapter Three presents the evolutionary journey of Tata Consultancy Services (TCS) in China. TCS is India's largest company in the information technology (IT) sector. It is also a global giant, with a market value exceeding US\$50 billion. TCS's experience in China highlights the centrality of home country advantages when entering another market (especially a brutally competitive one such as China) and of developing the company's China strategy from a wider “global” rather than a narrower “in-China-for-China” perspective. As TCS did, it is important to ask two key questions: What competitive advantages (such as technology, organizational capabilities, corporate reputation, and global relationships) from India or elsewhere can we leverage when we enter China? How will being in China make us stronger outside China—in India itself, in the Asia Pacific region, and globally? Designing the company's China strategy from such a global perspective can significantly reduce the risks of failure while boosting the potential value to be realized from a China presence.

Chapter Four presents the case study of Mahindra Tractors in China. A unit of the Mahindra & Mahindra Group, Mahindra Tractors is India's largest tractor company and, in terms of tractors sold, also the world's largest. Mahindra entered China in 2005 through a relatively small majority-owned joint venture (JV) and is determined to make China a second home. Mahindra was deliberate about treating the first JV as a learning initiative. In 2009, the company made its second key move—a much bigger JV, where also Mahindra holds a controlling stake. By 2012, Mahindra had a 9–10 percent share of China's tractor market. Mahindra's experience echoes several of the lessons from that of TCS. In addition, this case also highlights the centrality of experiential learning (“crossing the river by feeling the stones,” in Chinese parlance) and of being deliberate rather than ad-hoc about important questions such as

whether to go alone or via a JV and, if the answer is to do a JV, whether or not you need to have a controlling stake and how you will manage the relationship with the JV partner. Mahindra appears to have excelled at addressing all of these issues wisely.

Chapter Five presents the China journey of NIIT, India's (and Asia's) largest company in the business of training IT professionals. NIIT entered China in 1997, chose to go alone, and is today one of China's largest companies in this sector. Like TCS, NIIT has clearly benefited from India's global leadership in IT services. However, the unique aspect of the NIIT case study is how this company never took “no” as the final answer and, over time, has managed to become an almost indispensable and eagerly sought-after partner by various arms of the Chinese government at all levels—cities, provinces, and the central government. NIIT started out by trying to get licenses from city governments in Beijing and Shanghai to offer its two-to-three-year-long nondegree programs. Government officials were familiar with short-duration nondegree adult education courses as well as multiyear degree programs. However, they saw a multiyear nondegree educational program as too radical an idea. The Beijing city government said “no.” However, the Shanghai government decided to take a chance by giving NIIT permission to set up just one center under tightly controlled conditions. NIIT made sure that this center would be extremely successful at creating outcomes that the city officials would love—creating trained IT professionals who were in high demand by employers, all at no cost to the city. Building on this toehold, NIIT moved on to much bigger partnerships with city and provincial governments and has more recently signed an agreement with the central government in Beijing to help build the human capital infrastructure on the island province of Hainan. The NIIT case also

demonstrates the importance of openness to local innovation, even when it may lead the company to depart significantly from proven business models in the home country. NIIT invented the “NIIT Inside” model in China and has now taken this model to other countries—including India.

Chapter Six presents the story of how Tata Motors has developed a multibillion dollar revenue business in China, not by going directly from India to China, but by taking an indirect route—from India to the United Kingdom to China. Tata Motors did this by acquiring the British company Jaguar Land Rover (JLR) from Ford Motor Company in 2008. Unlike the IT sector, India does not enjoy a strong brand image in autos. On top of this, Tata Motors is a weak player in India's passenger car business. Thus, it is hard to imagine how Tata could hope to enter and succeed in China's car industry by taking the direct route from India to China. Instead, what Tata did was to drive into China indirectly by leveraging JLR's technological strength, strong brand image, and British heritage. We predict that, for Indian as well as Chinese companies, this type of indirect route will become one of the major strategic options over the coming decade. Mahindra is now contemplating entering China's SUV market via its South Korean subsidiary SsangYong. Wipro, another Indian company, has recently entered the branded consumer goods business in China via acquisitions in Singapore and Malaysia. On the Chinese side, examples include Geely's acquisition of Volvo, the Swedish car company, and Sany Heavy's acquisition of Putzmeister, the German concrete pumps company. Growing their businesses in India by leveraging the Swedish and German brands, products, and technologies should enable these companies to succeed in India at a much faster pace than entering directly from China.

In Chapter Seven, we present case studies on five Chinese companies (Lenovo, Haier, Huawei, Xinxing Heavy, and TBEA) that are not merely exporting to India but also have invested in R&D and/or manufacturing operations in the country. Lenovo competes in personal computers, Haier in home appliances, Huawei in telecom equipment, TBEA in high-voltage transformers, and Xinxing in steel pipes for potable water. These companies cover the gamut from branded consumer goods (Lenovo and Haier) to infrastructure equipment (Huawei, TBEA, and Xinxing). As these case studies illustrate, in both directions—from India to China and China to India—the economic relationship between the two countries is changing from largely trade to also include rapidly growing direct investment. They also point out that because China and India are two of the largest and fastest-growing emerging markets, both countries present brutal competition among not just domestic players but also those from the United States, Europe, Japan, and South Korea. The brutal competition implies that, just as with Indian companies in China, Chinese companies hoping to succeed in India need to design their India strategies from a global perspective rather than through just an “in-India-for-India” lens. Lenovo and Huawei bring out this conclusion most sharply.

The concluding Chapter Eight brings together the strategic lessons and guidelines that emerge for Indian companies eager to succeed in China. These strategic guidelines include being clear about the distinctive competencies—from the Indian operations or from a third country as in the case of Tata Motors and JLR—that the company will leverage as it enters China; designing the company's China strategy with a global perspective rather than through an “in-China-for-China” lens; figuring out how to significantly reduce the risks of failure by starting out with a beachhead segment where the prospects for success are high and the

company can begin to get traction without losing its shirt; being strategically astute regarding the important question of whether to partner or go alone and, in the case of a joint venture, how to identify the ideal partner and manage the ongoing relationship; treating government relationships at all levels as far more important in China than in any other market including India; being systematic about how to build product and institutional brands; and, above all, treating the company's China journey as a learning process. Irrespective of how thorough the company has been at its ex-ante analysis, in a market as different and dynamic as China, it is a certainty that there will be surprises. Being a rapid learner, as illustrated vividly by NIIT's journey in China, can increase the odds of success dramatically.

The sole agenda of some of the early travelers from India to China (such as Kumarajiva) and China to India (Fa Xian) was purely to learn from each other. We do not mean to suggest that today's business leaders should abandon more “mundane” goals such as revenues, profits, and shareholder value. We do believe, however, that businessmen and women who are rediscovering the Silk Road and who journey on it with a learning mindset are more likely to end up not just wiser but also more successful. We encourage you to think of China as not just a playground but also a school. Fortunes will be made or lost depending on not just how astute one is at designing long-term strategies but also how skillful one is at learning from direct experience.

Acknowledgments

No one works alone and no work is ever perfect. We are well aware that, like anything that has ever been written, this book also is a work in progress. While we are solely responsible for any and all weaknesses and limitations that remain, we are deeply grateful to many friends and colleagues who have helped shape our ideas and provided impetus for writing this book.

First and foremost, we would like to acknowledge Prakash Menon (president, NIIT China), Harish Chavan (until recently, president, Mahindra China), Prem Kumar (until recently, president, Sundaram Fasteners China), Bob Grace (president, Jaguar Land Rover China), N. Chandrasekaran, (CEO, Tata Consultancy Services), V. Rajanna (ex-country head, TCS China), William Hickey (until recently, CEO, Sealed Air Corporation), Li Xin (until recently, president, Sealed Air China), Shane Tedjerati (president, Global High Growth Regions, Honeywell Corporation), Viktor Sekmakas (executive vice president, PPG Industries), Rajeev Singh-Molares (president, Asia-Pacific, Alcatel Lucent), Pierre Cohade (until recently, president, Asia-Pacific, Goodyear), and many other senior leaders of Indian and Western multinationals who generously shared their time and views regarding what it takes to succeed in China's vast, diverse, and dynamic market and the role that China and India play in their companies' global strategies.

We are also grateful to the many executives of Chinese companies who helped us understand the evolution of their companies' strategies in India. In particular, we would like to acknowledge Guo Ping, deputy chairman of the Board and Rotating CEO, Huawei Technologies; Zhang Ruimin, chairman and CEO, Haier Group; and Zeng Ming, chief

strategy officer, Alibaba Group, for helping us better understand their companies' evolving global strategies and how they see India's role in these strategies.

We have also benefited from extensive discussions with key players in the India-China relationship, including Nirupama Rao, who just retired as India's Ambassador to the U.S. after earlier responsibilities as India's Foreign Secretary and Ambassador to China; S. Jaishankar, who recently moved to Washington, DC as India's Ambassador to the U.S. from Beijing where he was Ambassador to China; and Zhang Yan, until recently China's Ambassador to India. We owe a particular debt of gratitude to Anand Raman, editor-at-large at *Harvard Business Review*, who has been a good friend and intellectual soul mate on the subject of global strategy. Thank you all for educating us.

Kathe Sweeney, executive editor at Jossey-Bass/Wiley, has been a central player in helping us launch this project and in pushing us to get it completed without too much delay. Given her role as an editor for one of the world's leading publishers, her enthusiasm and guidance have been particularly important in bringing this project to fruition.

Thank you all for giving us your time, friendship, care, and the benefit of your insights. While we alone are responsible for the deficiencies that remain, we hope that you will be proud of the final product.

*Anil K. Gupta, Girija Pande, Haiyan Wang
Beijing, New Delhi, Singapore, Washington, DC*

Chapter 1

Asia's Best-Kept Secret

Growing Economic Ties Between India and China

On March 15, 2013, Mr. Li Keqiang was elected by the Communist Party Congress as premier, the second most important position in the Chinese government after General Secretary and President Xi Jinping. Two months later, Premier Li embarked on his maiden official visit outside China. The first stop on his tour? A three-day visit to India. Hopping over to India so early in his term was a clear signal of China's foreign policy priorities. As the premier remarked upon his arrival in New Delhi: "We are one-third of the world's total population and our interactions attract the world. Without doubt, China-India relations are [among the] most important global relations."¹

As is true for many neighbors, the relationship between India and China remains full of tensions—both economic as well as geopolitical—which we discuss later in this chapter. These tensions are unlikely to ease any time soon. Yet there are good reasons to predict that the economic ties between the two countries will continue to strengthen and, by 2025, will be among the ten most important bilateral ties between any two countries in the world.

Even if the Chinese and Indian economies were to grow at only a 5–6 percent annual rate over the next ten years, by 2025 they would rank as the largest and fourth-largest economies in the world, the other two being those of the United States and Japan.² Both countries have also become springboards for the emergence of global champions across a range of industries from technology (Tata Consultancy Services, Infosys, Huawei, and Lenovo) to heavy manufacturing (Tata Motors, Mahindra, Geely, and Chery) to fast-moving consumer goods (Godrej and Shuanghui). Given the size and growth rate of the two economies, growing numbers of Chinese and Indian companies