China's Dalian outlines plan to overtake Bangalore in five years

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But IT firms say Chinese graduates still far behind India's in soft skills

BEIJING: China's northern port city of Dalian, the country's Information Technology hub, aims to overtake Bangalore as Asia's primary IT centre within the next five to seven years, the city's top official said on Thursday.

Dalian, in northeastern Liaoning province, has launched an ambitious plan to make up for the substantial soft skills gap that has so far hindered China's efforts to develop its outsourcing industry. The city is now training more than 70,000 students in software training programmes in 22 universities, and also offering $44 million each year in subsidies to encourage college graduates to take up software programmes, which also incorporate language training skills.

Dalian is now targeting "to be on a par with or overtake Bangalore in five to seven years", according to Xia Deren, the ruling Communist Party's chief in Dalian, who was speaking in Beijing while attending the annual convening of China's legislature. But IT experts and executives at China-based software companies told *The Hindu* it was very unlikely that Dalian could come anywhere near competing with Bangalore in the near future in light of persisting wide gaps in soft skills training in China.

"Creating 70,000 more of the same quality will not solve the problem," said Prakash Menon, the head of IT educator NIIT in China, which trains 50,000 Chinese in IT skills every year in its 183 centres. By 2011, NIIT itself will be producing more Chinese IT graduates than all of the country's universities combined. IT companies based in China often complain of a wide gap in skills between university graduates and work requirements, particularly in language skills.

Similar government plans announced six years ago to set up a network of software colleges have yielded little success, with persisting deficiencies in the quality of training, companies say.

"Dalian is better than the Indian Silicon Valley in terms of infrastructure and environment, but in terms of human resources and enterprise competitiveness, the city lags behind Bangalore," Mr. Xia acknowledged, speaking to the official *China Daily* newspaper. Dalian looked to learn from "India's experience" in developing its IT sector, he said, pointing to a visit he made to Bangalore in 2000.

New initiatives

Last week, the Chinese government outlined new initiatives to develop the country's still fledgling software industry, including incentives to increase software exports and greater investment in "innovation bases."

Developing Dalian is at the heart of its plans. In 1998, the total sales revenue of its software industry was only $29 million, while its software turnover was around $10 million. But, by 2007, its sales revenue had risen to $3.1 billion, while its software export turnover was $720 million. The city is now on target to increase its software exports to $4.5 billion by 2012.

Despite the impressive figures, China has made few inroads in attracting the American and European customers who have helped fuel India's IT boom. While software exports to Japan and South Korea have picked up, most of the business in Dalian is derived from the government's own surging demand for IT, sparked by the country's massive infrastructure and manufacturing growth.

"The only way Dalian could come close to the level of business we are seeing in Bangalore is if the Chinese government itself gives most of its massive projects to Chinese companies, which is possible," Mr. Menon of NIIT said.

"But in terms of becoming a rival outsourcing hub, Dalian is still far, far away."