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# India and Japan offer land and funding to lure factories out of China

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Political posturing between China and the U.S. has flared again recently, as members of the Trump administration seek to hold China “[accountable](#)” for covering up the initial coronavirus outbreak. Amid the rhetoric, [a trade war-era threat](#) to pull U.S. manufacturing out of China has reignited.

According to a report by *Reuters*, taking U.S. manufacturing out of China is receiving a “whole of government push.” Last month, White House economic advisor Larry Kudlow advocated “[paying the moving costs](#)” of firms that want to leave and return to the U.S.

Closer to China, however, Japan and India have already introduced policies to help manufacturers get out of the Middle Kingdom.

## Landing zone

India, with a population roughly the size of China’s but less than half the average

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acquiring land, which at times requires manufacturers to negotiate with multiple small plot owners.

According to *Bloomberg*, India is seeking to ease that process by [setting aside a land bank](#) roughly twice the size of Luxembourg for manufacturers to use. Prime Minister Narendra Modi’s government has reportedly also reached out [to over 1,000 U.S. companies](#) to see what sort of amenities would make India a viable alternative to China.

At the same time, India has amended its laws on foreign direct investment (FDI) in a way that would limit Chinese access to the country. Under the new rules, introduced mid-April, investors from any country that shares a land border with India must first seek government approval.

In a note announcing the change, the Ministry of Commerce [said](#) the policy was designed to curb “opportunistic takeovers/acquisitions of Indian companies due to the current COVID-19 pandemic.” Among the countries implicated by the policy, China is by far the largest source of FDI.

Between 2000 and 2019, China’s investment in India totalled \$2.3 billion, according to [data from](#) India’s Ministry of Commerce (MOC). Reported FDI from India’s six other land-border neighbors in the same period was \$14.74 million.

[China’s embassy in New Delhi claims](#) China has invested a cumulative \$8 billion in India. (That figure is closer to the total from China, Hong Kong and Taiwan combined over the same period: \$6.9 billion, according to India’s MOC.) In a

statement denouncing the new restrictions as a violation of World Trade Organization standards, the Chinese embassy in New Delhi [said](#) the “impact of the policy on Chinese investors is clear.”

## Cash support

Japan has been more explicit in pledging support for domestic companies leaving China. In April, Tokyo [launched a \\$2.2 billion initiative](#) to fund manufacturers that want to move out; the bulk of the funding is available only to companies that return to Japan.

"Products that depend on one country and have high added value will be returned to Japan as production bases," Prime Minister Abe Shinzo [said](#) during a [governmental meeting](#) of the Council on Investments for the Future in March. "Even if the products do not depend on one nation, and do not have high added value, the manufacturing will be diversified to ASEAN."

As of April 21, however, [only one company](#) had applied for a subsidy from the \$2.2 billion scheme. Iris Ohyama, a consumer product manufacturer, wants to open a new mask-making facility in Japan and has applied for relocation funding to do so.

Iris currently manufactures masks at facilities in two Chinese provinces and sources raw material from China. The new factory will make the material from scratch in Japan, but it's unclear whether its current facilities in China will close.

## Mask action

Makers of personal protective equipment (PPE), such as face masks, are among the companies arguably most likely to leave China. Renaud Anjoran, president of advisory firm China Manufacturing Consultants, says the world “has been horrified at seeing how we depend on China for PPE” and expects Western governments will enact legislation to repatriate the process.

The pandemic proved quickly how easily items like surgical masks could be made at home—either literally, in home workshops, or domestically, as a nation.

Manufacturing surgical masks for export in China, Anjoran says, was never a smart move anyway. The procedure “is not very labor intensive and shipping the raw products is cheaper than shipping the finished products.”

Convincing makers of more sophisticated equipment to leave China, however, might prove more of a challenge.

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