INFOGRAPHIC (/TOPIC/INFOGRAPHIC)   CVC (/industry/cvc)   Payment (/industry/payment)

Short Video (/industry/short-video)   Smartphones (/industry/smartphones)

Social impact (/industry/social-impact)   VC/PE (/industry/vc)   Alibaba (/company/alibaba)

Bytedance (/company/bytedance)   China (/market/china)   India (/market/india)

TECH PANORAMA | China and India tech ecosystems are more connected than you think

China is not the biggest investor in India, but it might be the most important one.

By Julianna Wu
Jul 6

The intensifying Indo-China border clashes continued last week with the Indian government banning 59 Chinese apps (/india-just-banned-59-chinese-apps-including-some-of-countrys-most-popular/) citing national security concerns. Some of the Chinese banned apps are among India's most popular ones, such as ByteDance's short video TikTok, social networking platform Helo, as well as file-sharing tool SHAREit.

While some companies are still anxiously waiting to see how this geopolitical-charged ban develops, TikTok is reportedly seeking legal actions (/tiktok-and-other-banned-chinese-apps-to-represent-their-case-to-indian-authorities/) against it.

China is one of the largest backers behind India's growing startup ecosystem, with Chinese investors on the cap tables of at least 18 out of the country's 30 unicorns. Meanwhile, Chinese smartphones and apps permeated the Indian market due to their affordability and bespoke functionalities. Believe it or not, the two largest Asian nations are more intertwined with each other than you might have thought in the tech ecosystem.

Investments

Chinese investors have pumped in USD 4.1 billion (https://tech.economictimes.indiatimes.com/news/startups/funding-for-unicorns-smaller-startups-may-be-hit-as-india-reinforces-fdi-wall/75239816) into India in 2019, up from USD 300 million in 2018. Though overall Chinese fundings fall behind that of the US. That said, Chinese investors have supplanted the US as the biggest backer (https://tech.economictimes.indiatimes.com/news/startups/funding-for-unicorns-smaller-startups-may-be-hit-as-india-reinforces-fdi-wall/75239816) of the country's fast-growing digital economy, India's *ET* reported.

US investment is larger in India compared to China
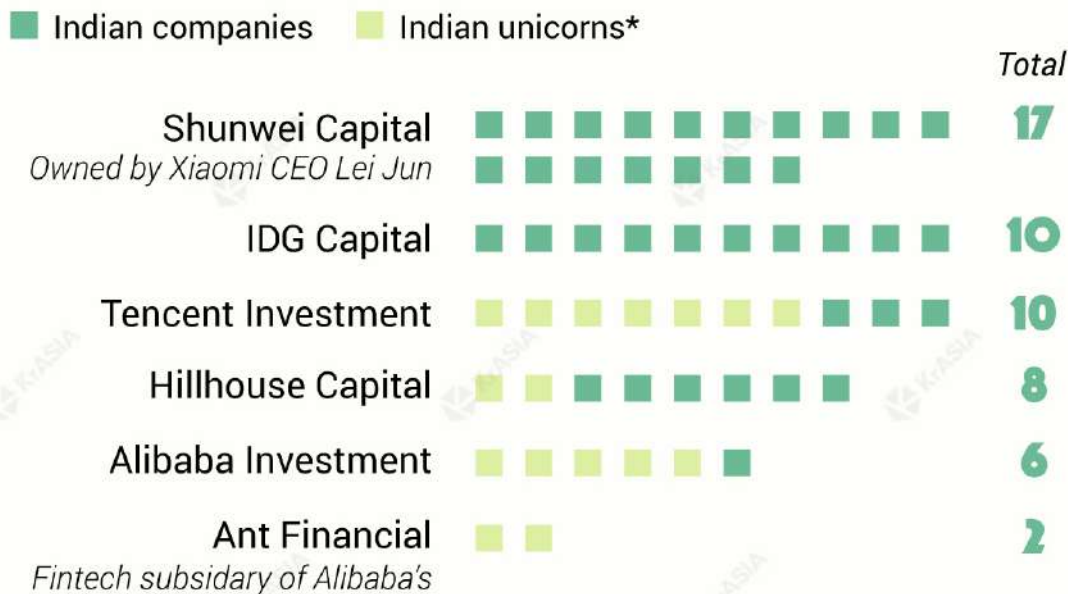
Foreign direct investment, USD billion

2019 US data is not avaliable

KrASIA Graphic by Cheng Ming & Julianna Wu   Sources: China Global Investment Tracker, U.S. Bureau of Economic Analysis (BEA)

Out of India's 30 unicorns, Chinese companies such as Alibaba (NYSE: BABA (https://finance.yahoo.com/quote/BABA/); HKEX: 9988 (https://finance.yahoo.com/quote/9988.HK/)) and Ant Financial backed five of them, while Tencent seven. Other Chinese internet giants, from Meituan Dianping (HKEX: 3690) (https://finance.yahoo.com/quote/3690.HK/) to Didi, all took some bets in India. Additionally, Xiaomi's Shunwei Capital is the most active backer of Indian startups, writing checks for 17 local startups.

However, amid the two nation's heated land tussle, India has changed in April its Foreign Direct Investment (FDI) laws, demanding all Chinese investments to be subjected to governmental approval. As a result, local food delivery startup Zomato was reportedly in talks with Singapore-based Temasek one of its existing backers in hopes of securing USD 100 million, as the agreed-upon sum from Ant Financial is not yet to deliver due to the new FDI rules.

Well-known Chinese VCs' investments in India

■ Indian companies   ■ Indian unicorns*

	Investments	Total
Shunwei Capital *Owned by Xiaomi CEO Lei Jun*	■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■ ■	17
IDG Capital	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	10
Tencent Investment	■ ■ ■ ■ ■ ■ ■ ■ ■ ■	10
Hillhouse Capital	■ ■ ■ ■ ■ ■ ■ ■	8
Alibaba Investment	■ ■ ■ ■ ■ ■	6
Ant Financial *Fintech subsidary of Alibaba's*	■ ■	2

*Current valuation of USD 1 billion or more'

◆ **KrASIA** Graphic by Julianna Wu Source: ITjuzi

Apps

As the short video mania takes up much of the global web, India, as the world's second-largest populous country is taking the center stage. There are more than 120 million users, or one-fifth of India's mobile internet population, using TikTok. What's more, India accounted for more than 323 million, or almost half, of TikTok's 2019 global downloads, per an App Annie report.
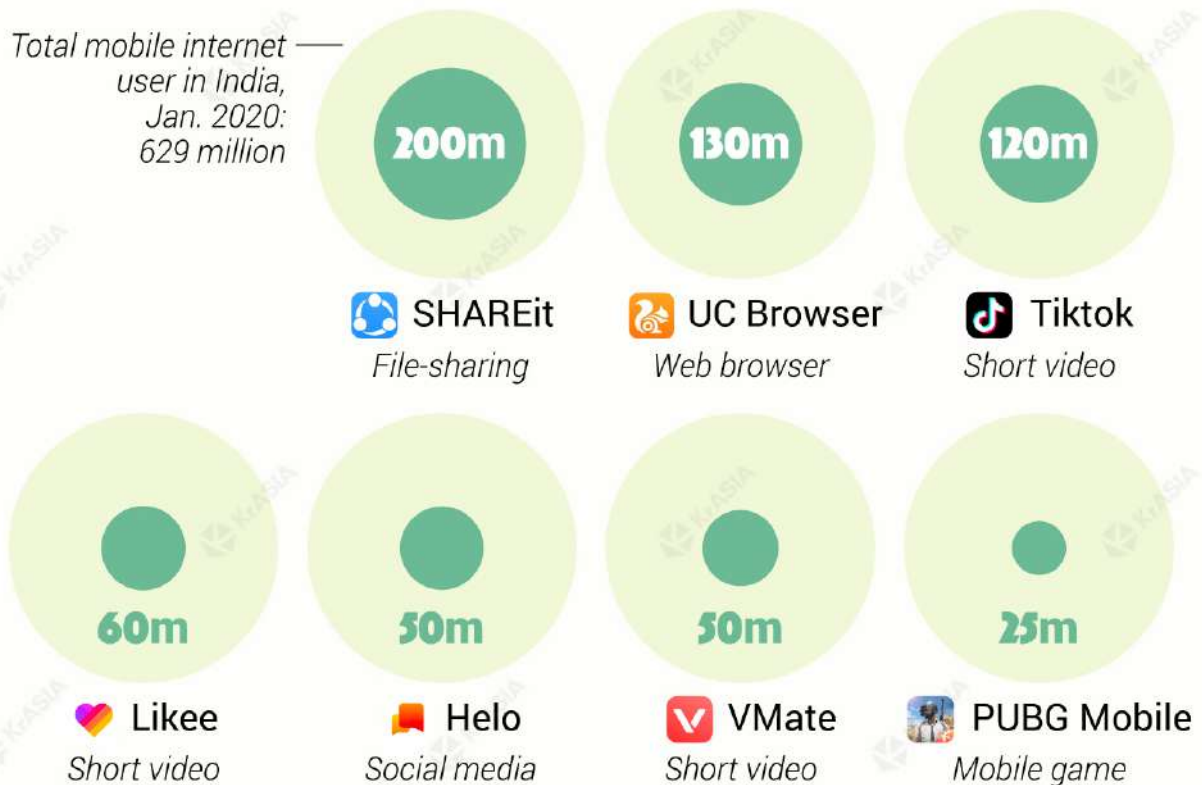
At the same time, Alibaba's VMate, YY's Likee, and ByteDance's video-sharing and social media Helo, can all be seen among India's top-downloaded app list.

Two days after the ban on TikTok, local video-sharing social media application Roposo saw its user base grew by 22 million (https://tech.163.com/20/0704/12/FGMML3U300097U7R.html) in India, as its founder Mayank Bhangadia told local media. Roposo is just one of the many local alternatives looking to capitalize on the vacuum left by the eviction of TikTok.

How popular are these apps in India?
Monthly active user numbers in India

Total mobile internet user in India, Jan. 2020: 629 million

200m
SHAREit
File-sharing

130m
UC Browser
Web browser

120m
Tiktok
Short video

60m
Likee
Short video

50m
Helo
Social media

50m
VMate
Short video

25m
PUBG Mobile
Mobile game

KrASIA   Graphic by Julianna Wu & Cheng Ming   Sources: media reports

Smartphones

Currently, Chinese smartphone companies altogether have more than 70% of the Indian market, leaving Samsung, and a bunch of local vendors, vying for the remaining share, Counterpoint data shows.

However, the recent border conflicts led to a new round of nationalism and anti-China sentiment, with local citizens venting their spleen over Chinese products by boycotting and even smashing them. Xiaomi, one of the hardest-hit Chinese brands, had to cover its Indian Mi Stores with "Made in India" banners (/india-just-banned-59-chinese-apps-including-some-of-countrys-most-popular/) to deflect possible attacks, *KrASIA* reported.
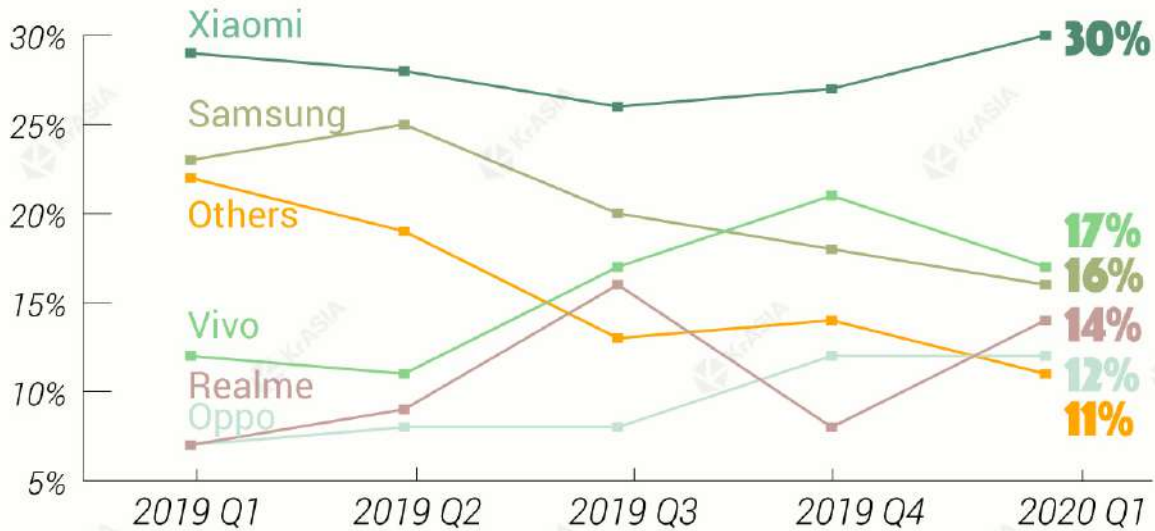
"[The boycott] won't have any impact in the short term because people have to buy phones and most of the phones in the market are Chinese phones," said Rushabh Doshi, research director at Canalys, to local media

IndianExpress.

Chinese brands own more than 70% of India's smartphone market

Smartphone market share by brand

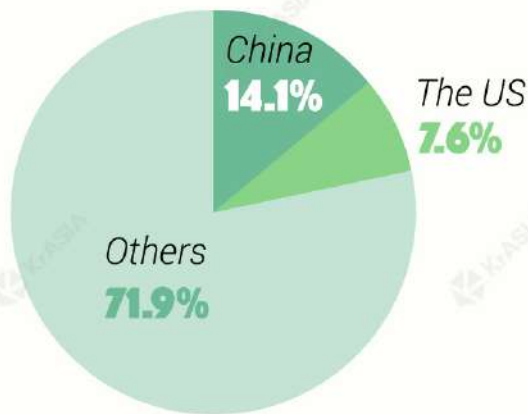KrASIA   Graphic by Cheng Ming & Julianna Wu   Source: Counterpoint

Trade

A deeper look into the trade relationship between the two neighbors will reveal India's economic dependence on China is more than just in tech. China is India's second-largest trade partner behind the US, providing more than 12% of raw materials, commodities, and components that are vital to India's economic growth, according to a *BBC* report.

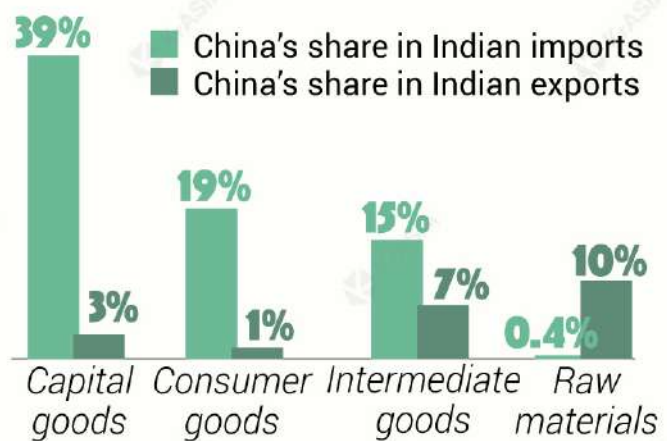For example, "at least 70% (https://www.bbc.com/news/world-asia-india-53150898) of India's drug intermediary needs are fulfilled by China," Sudarshan Jain, president of the Indian Pharmaceutical Alliance, told *BBC*.

China is an important trade partner of India

India's imports, FY19-20

China
14.1%

The US
7.6%

Others
71.9%

Average of China in India's trade, 2014-2018

■ China's share in Indian imports
■ China's share in Indian exports

39% **3%** — Capital goods
19% **1%** — Consumer goods
15% **7%** — Intermediate goods
0.4% **10%** — Raw materials

KrASIA Graphic by Julianna Wu & Cheng Ming   Sources: World Bank, Directorate General of Foreign Trade

Employment

Chinese brands have been setting up plants in the country as their responses to India's "Made in India" program. Xiaomi, for example, is said to have 99% of its phones for the Indian market manufactured locally across its seven factories in the country, contributing to India's job markets.

Since the beginning of the year, many factories have shut down due to COVID-19 pandemic, only resuming their operations shortly before the recent political clashes between the two countries. Xiaomi and Oppo, for example, were forced to importing smartphone models (https://in.reuters.com/article/us-health-coronavirus-india-phones/chinese-smartphone-brands-in-india-turn-to-expensive-imports-as-plants-struggle-sources-idINKBN23I1AS) from China to India to fill gaps in capacity and demand, *Reuters* reported earlier this month.

The increasing tension between the two countries would, without a doubt, put major pressure on local employees working for Chinese companies in India.

Earlier this year, Xiaomi claimed to have created 50,000 jobs (https://economictimes.indiatimes.com/jobs/xiaomi-generates-employment-for-over-50000-people-in-india/articleshow/73270536.cms?

utm_source=contentofinterest&utm_medium=text&utm_campaign=cppst)
for the country, while ByteDance disclosed a plan to hire 10,000
(https://www.businesstoday.in/technology/news/tiktok-parent-bytedance-to-
hire-10000-employees-in-india-other-countries/story/401084.html) new
personals globally in April, outside of the 2,000 existing ones
(https://www.moneycontrol.com/news/business/economy/chinese-app-ban-
bytedance-employees-in-india-unlikely-to-get-impacted-5491061.html) in
India.

Over the past years, India and China had several small border skirmishes, but
neither of them is as heated as the current one. In addition to the apps ban,
India government is also considering prohibiting China from taking part in
the country's infrastructure construction, halting customs clearance for
Chinese goods which are needed by local factories. The two country's
relationship is now indeed on life support. However, a full-scale decoupling
between the two nations is neither ideal nor possible. The two countries are
more connected than many have imagined. And a forceful disbanding would
only harm both nations.

Cheng Ming contributed to the story