

**Future tariffs and landed costs from China a concern?**

***Feasibility Studies help decide where (or if) to relocate***

**Wednesday, November 19, 2024**

**11:00 AM EST**

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**a s s o c i a t e s**

**DRIVING COMPANY GROWTH IN CHINA, ASIA, MEXICO & CEE**

## Webinar Agenda

### Part 1: **Brief Introduction of East West Associates**

- Webinar Series
- Introduction of Speakers

Part 2: Why are manufacturers relocating out of China? What are some critical considerations?

Part 3: East West Associates "Feasibility Studies"

Part 4: Q&A Discussion

Part 5: Follow up



**East West Associates advises manufacturing companies on establishing and improving international manufacturing operations and global supply chains.**

**China, Southeast Asia, Mexico & Poland/Central Eastern Europe**

- GLOBAL MANUFACTURING & SUPPLY CHAIN FOOTPRINT
  - Global Manufacturing & Supply Chain Footprint
  - Global Manufacturing & Supply Chain Footprint Implementation
  - Global Site Selection
  - Identification & Qualification of Contract Manufacturing
  - Plant Rationalization / Consolidation / Relocation
  - Plant Closure Planning
  - Negotiation of Foreign Governmental Incentives
  - Project Management of Plant Construction & Relocation

**East West Associates advises manufacturing companies on establishing and improving international manufacturing operations and global supply chains.**

**China, Southeast Asia, Mexico & Poland/Central Eastern Europe**

- OPERATIONAL & COMMERCIAL PERFORMANCE
  - Operational Diagnostics and Functional Reviews
  - Growth Potential and Development
  - M&A Due Diligence
  - Corporate Turnarounds & Restructurings



**East West Associates advises manufacturing companies on establishing and improving international manufacturing operations and global supply chains.**

**China, Southeast Asia, Mexico & Poland/Central Eastern Europe**

- SUPPLY CHAIN
  - Global Supply Chain Assessment
  - Make VS. Buy Strategy
  - Set Up & Operate Sourcing Office
  - Supplier Identification & Qualification
  - Covert & Overt Supplier Investigations
  - Supplier Performance Improvement
  - Supplier Transition
  - Global Relocation Of Supply Chain

**East West Associates advises manufacturing companies on establishing and improving international manufacturing operations and global supply chains.**

**China, Southeast Asia, Mexico & Poland/Central Eastern Europe**

- HUMAN RESOURCES & RISK MANAGEMENT
  - Integrity Awareness Training
  - Interim General Management
  - Executive Search
  - Background Checks
  - Organizational Assessment & Implementation
  - Compensation & Benefits



# EWA Executive-level Advisors in 5 Global Regions

East West Associates



# East West Associates Representative Clients

East West Associates





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## Webinar Agenda

Part 2: **Webinar Series** planning.

1. [November 12, 11am - 12pm webinar:](#)  
**Is Mexico an option for moving your US Operations?**
2. [November 14, 11am - 12pm webinar:](#)  
**Setting up your Factory in Mexico: Operating Structures.**
3. [November 20, 11am - 12pm webinar:](#)  
**Revealing Country Feasibility Studies**
4. [December 3, 11am - 12pm webinar:](#)  
**Commercial & Operational Diagnosis of China Operations.**
5. [December 5, 11am - 12pm webinar:](#)  
Metal-industry Sourcing & Supply Chain in Mexico
6. [December 11, 11am - 12pm webinar:](#)  
**Global Manufacturing & Supply Chain Footprint Analysis & Implementation.**



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**Mark Plum, Director, East West Associates**

**Jacob Miller, Director, East West Associates**

**Moderator: Alex Bryant, President of East West Associates**



## Webinar Agenda

Part 1: Brief Introduction of East West Associates

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Part 2: **Why are manufacturers relocating out of China? What are some critical considerations?**

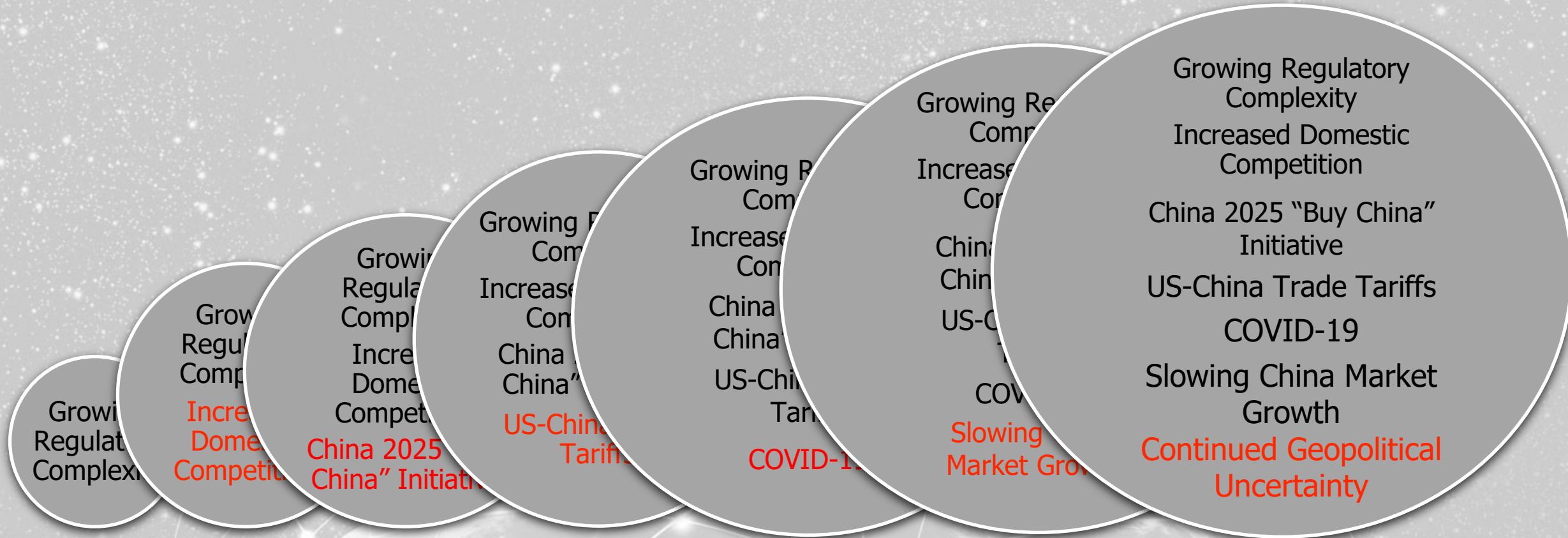
Part 3: East West Associates "Feasibility Studies"

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# Why are manufacturers relocating out of China? What are some critical considerations?

**During the last 15 years, the economic challenges facing western companies operating in China have been continuously increasing and evolving:**





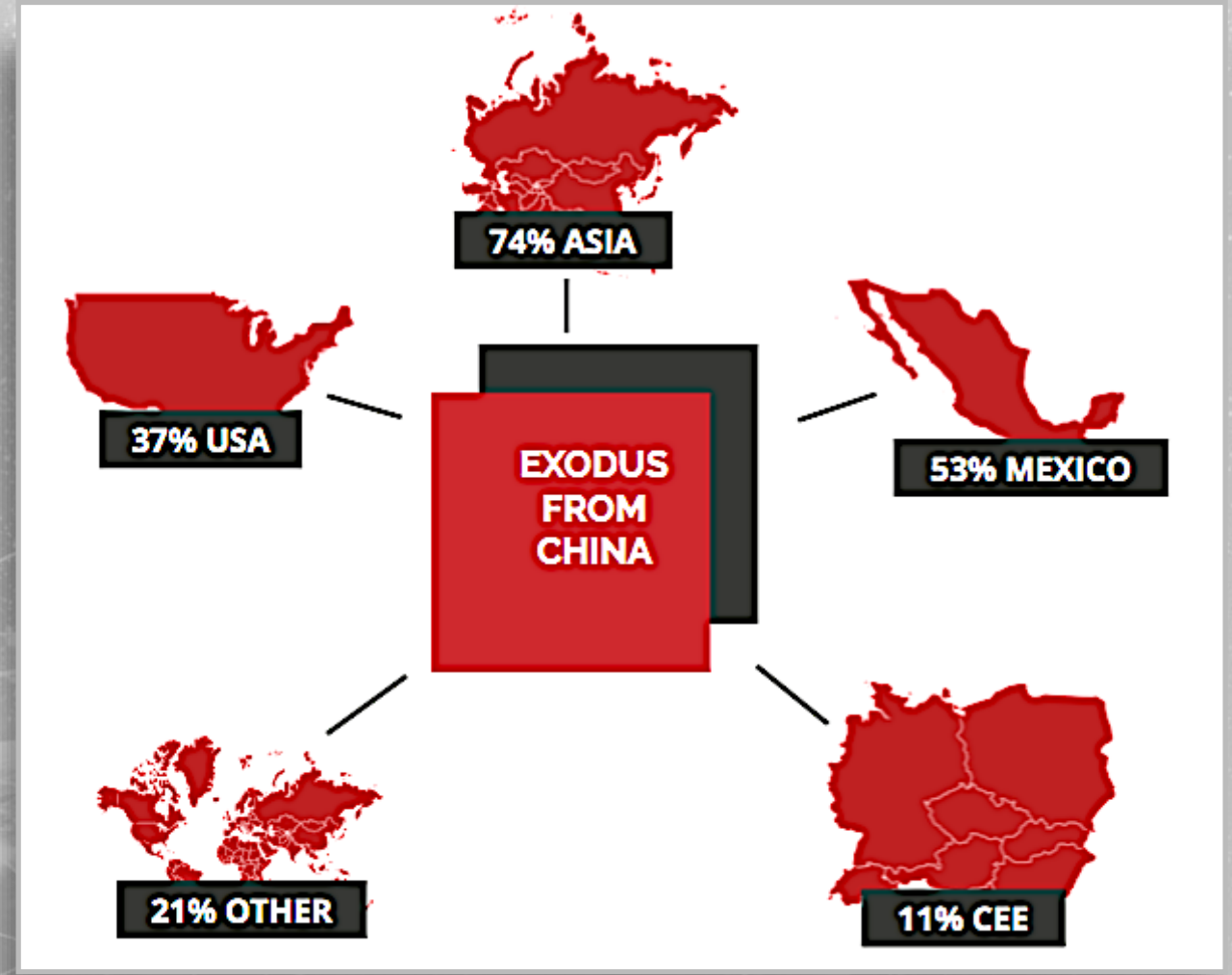
## Why are manufacturers relocating out of China? What are some critical considerations?

To where are you considering or planning to relocate your China-based operations, (Multiple Responses Possible)

EWA Survey of 150 Manufacturers Operating in China

### Diversification from China

- Alter the global business landscape
- Drive supply chain networks to alternative emerging markets
- Accelerated growth of emerging markets



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# Feasibility Study 1

## *Finding & qualifying a 3<sup>rd</sup> party contract manufacturer in SE Asia*

### **Background**

- US manufacturer of industrial equipment
- Client purchased 100% of components in China and shipped the components to US.
- Assembled, tested, and packaged final products in US for sales in the US.

### **Concerns**

- Two drawbacks to then-current production process:
  1. Client incurred US tariff duties on imported components into the US from China.
  2. Client experienced high labor costs in US to assemble, test and package.
- Client first performed an internal review to determine the costs to have a Chinese 3rd party assemble, test and package components into finished product and ship to US This approach did help address the US labor cost.
- However, the client's proposed approach did not eliminate the 25% duty from China to US.

## *Finding & qualifying a contract manufacturer in SE Asia [con't]*

### **EWA's Resolution of Problem, and Deliverables**

- Client asked EWA to determine if another country in Southeast Asia could provide contract manufacturing for client's products. Note: Shipping costs for the products are low since many can fit into a container.
- EWA conducted research to identify which ASEAN country had a domestic manufacturing industry that could support client's required type of contract manufacturing. EWA included Mexico in its study due to proximity to client's US market.
- In addition, at the client request, EWA was to develop a plan to localize the manufacturing of industrial equipment components within an 18-month period.



# Feasibility Study - RESULTS

## *Finding & qualifying a contract manufacturer in SE Asia*

### Process and Results

- EWA performed the appropriate country research with our advisors who have lived and worked in those countries.
- EWA completed the Manufacturing Localization Plan.
- EWA then recommended Vietnam to the client, for three informed reasons:
  1. Vietnam labor was approximately 25% of China labor costs, and only 10% of US labor costs.
  2. Client would enjoy duty-free shipment from Vietnam to US on finished products; thus, avoiding 25% import duty from China to the US.
  3. Vietnam offered cost-competitive availability of labor, high-quality contract manufacturers, and a base of qualified supply chain providers.
- EWA identified 3<sup>rd</sup> party manufacturers and shortlisted 5 of them for further review and approval.
- EWA negotiated the final contract manufacturer agreement on behalf of the client.

# **Feasibility Study – Phase 1 Final Report**

**Vietnam, Thailand & Mexico Sourcing**

**XXXXXX Machines / XXXXXX Machines**

**April 2023**



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a s s o c i a t e s  
Commercial, Operational & Risk Management Specialists for China/Asia



## Quick Supplier Market Analysis in Vietnam, Thailand, & Mexico Manufacturers of Industrial XXXXXX Machines

### Quick Supplier Market Analysis Objectives

- Collect spend information about the categories such as technical requirements, standards applied, material specification, volume and current suppliers etc.
- Complete Quick 3<sup>rd</sup> party Contract Manufacturers Market Analysis covering Vietnam, Thailand, or Mexico.
- Identify list of potential 3<sup>rd</sup> party contract manufacturers based in Vietnam, Thailand, or Mexico by leveraging business relationships, subject matter experts, external databases, and research networks, etc.
- Develop a simple qualification criteria to quickly shortlist suppliers with online info (e.g.: financial, technology, manufacturing capability, corporate responsibility, quality...).
- Analyze responses to recommend contract manufacturers which client needs to take through their auditing process in order to potentially qualify them.
- Provide Client with a profile for all of the contract manufacturers recommended to be further qualified.

## Manufacturers of Industrial XXXXXX Machines 2 SKUs considering moving production out of China

Model	Description	Yearly Production
XXXXXX 20	20-inch XXXXXX machine	2,000 Units
XXXXXX 24	24-inch XXXXXX machine	1,000 Units

The machine consists of 12 sub-assemblies  
7 sub-assemblies are manufactured internally  
5 sub-assemblies are manufactured externally

There are multiple versions of some sub-assemblies, such as the Drivetrain, showing different aspects.

The tension assembly, take-up lever, hopping block, and pitman, are assembled by our vendors.

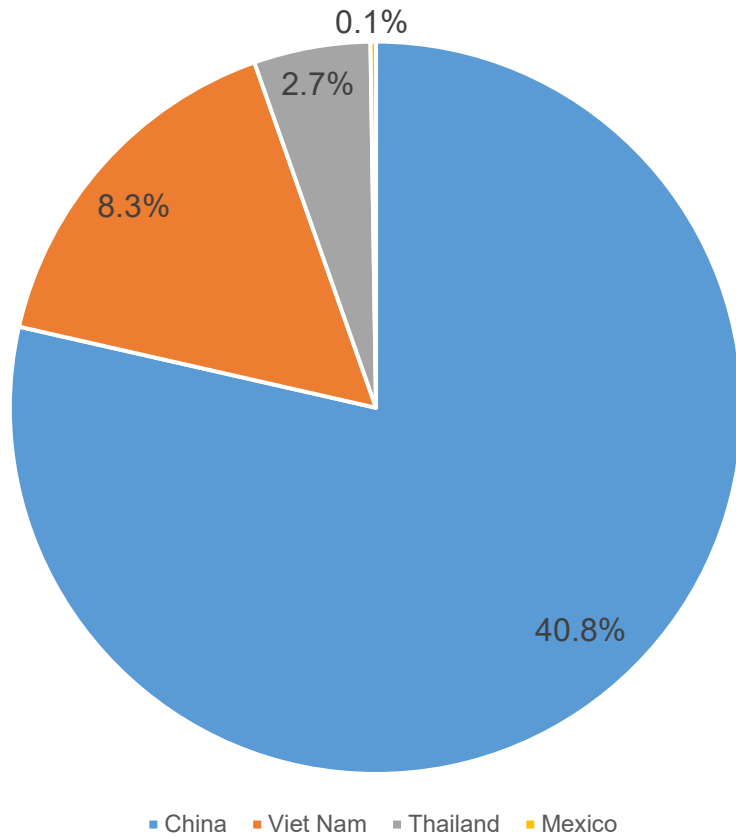
There is ~5 hours of final assembly and testing on each machine in the USA.



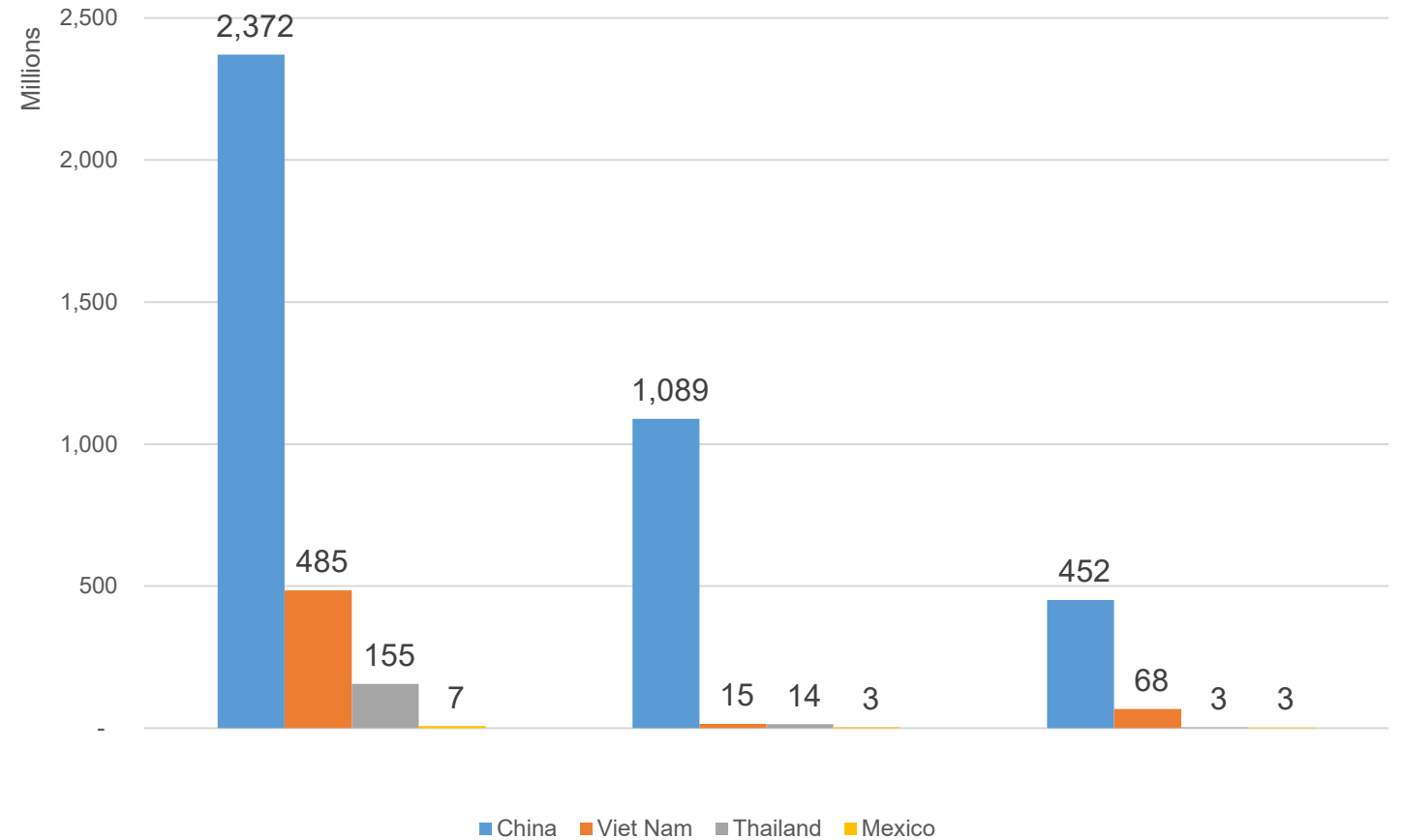
# Manufacturers of Industrial XXXXXX Machines

## Comparison of Export Value USD by country and % of world exports

HS Code XXXXXX machines  
% of world Export Value



Export Value 2021 (M USD)



# Manufacturers of Industrial XXXXXX Machines

## Comparison of labor rates for Production Manager and Workers VIETNAM

### Vietnam Electronics Manufacturing Management Salaries

	HCM City 1 to 5 Years	HCM City 5+ Years
Head of Production	2,128 to 3,404 USD/mo	3,404 to 5,106 USD/mo
Production Supervisor	1,064 to 1,489 USD/mo	1,277 to 2,128 USD/mo

Adecco Vietnam Salary Guide 2022

### Vietnam Electronics Manufacturing Labor Salaries

- Vietnam's labor costs are half as much as China's labor costs at **US\$2.99/hr** (VND 68.000) per hour compared to US\$6.50 (VND 148.000) per hour respectively. <https://www.vietnam-briefing.com/news/why-manufacturing-is-driving-vietnams-growth.html/>
- Electronics Industry remained one of the most attractive employers with an average salary of VND7.2 million (**\$307/mo**), higher than the garment and mechanical sectors. <https://e.vnexpress.net/news/industries/electronics-industry-labor-stuck-low-down-in-value-chain-4489420.html>
- Electronics Technician Average Salary in Vietnam 2023 is VND 7.3 million (**\$311/mo**), <http://www.salaryexplorer.com/salary-survey.php?loc=236&loctype=1&job=248&jobtype=3#disabled>



## Manufacturers of Industrial XXXXXX Machines Comparison of Logistics & Tariffs Cost

	Vietnam Ho Chi Minh City		Thailand Bangkok		Mexico Mexico City	
	20DC	40HQ	20DC	40HQ	20DC	40HQ
POL. Port of Loading (Origin)	715	792	725	805		
Ocean Freight	3150	3780	4450	5150	NA	NA
POD is the 'Point of Discharge (USA)	885	885	885	885		
<b>Total</b>	<b>\$ 4,750</b>	<b>\$ 5,457</b>	<b>\$ 6,060</b>	<b>\$ 6,840</b>	<b>\$ -</b>	<b>\$ -</b>

### Tax & Tariffs - Importing to USA from Country

	HS XXXXXX machines	HS XXXXXX machines, industrial type (excluding automatic units)	HS Automatic XXXXXX machines, industrial type
China	0%+7.5% *	0%+25% **	0%+7.5%
Viet Nam	0%	0%	0%
Thailand	0%	0%	0%
Mexico	0%	0%	0%

Source : ITC (Market Access Map)

\* Anti-Dumping Tariffs: U.S. additional tariff on selected goods from China under Section 301 of the U.S. Trade Act of 1974, in effect since 01 September 2019 (list A of 3,243 products). On February 14, 2020, the tariff was modified.  
\*\* Anti-Dumping Tariffs: U.S. additional tariff on selected goods from China under Section 301 of the U.S. Trade Act of 1974, in effect since 24 September 2018 (list of 5,745 products). Tariff increased to 25% on 10 May 2019.

### Tax & Tariffs - Exporting form China to Country

	HS XXXXXX machines	HS XXXXXX machines, industrial type (excluding automatic)	HS Automatic XXXXXX machines, industrial type	HS parts for XXXXXX machines ***
Viet Nam	0%	0%	0%	NA
Thailand	0%	0%	0%	NA
Mexico	0%	0%	0%	5%

Source : ITC (Market Access Map)

\*\*\* – XXXXXX machines (other than book-XXXXXX machines of heading XXXX); XXXXXXXX covers specially designed for XXXXXX machines; XXXXXXXX machine : XXXXXXXX machines, and parts thereof; other parts for XXXXXXXX machines: Parts recognizable as designed exclusively for domestic XXXXXXXX machines, except XXXXXXXX machines, and parts thereof.

# Shortlisted 3<sup>rd</sup> Party Contract Manufacturers – Vietnam (1/3)



	Contract Mfg 1	Contract Mfg 2	Contract Mfg 3	Contract Mfg 4	Contract Mfg 5	Contract Mfg 6	Contract Mfg 7
<b>Name EN</b>	XXXXX	XXXXXX	XXXXXXX	XXXXXX	XXXXXXX	XXXXXX	XXXXXXX
<b>Country</b>	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam	Vietnam
<b>Full/Sub-Assembly</b>	FULL	FULL	Unclear	FULL	FULL	FULL	FULL
<b>Address</b>							
<b>Website</b>							
<b>Email</b>				NA			NA
<b>Phone</b>							
<b>Other Links</b>							
<b>Notes</b>							



## Shortlisted 3<sup>rd</sup> Party Contract Manufacturers – Thailand (2/3)



	Contract Mfg 8	Contract Mfg 9	Contract Mfg 10	Contract Mfg 11	Contract Mfg 12
<b>Name EN</b>	XXXXX	XXXXXX.	XXXXXXXX	XXXXXXXX	XXXXXX
<b>Country</b>	Thailand	Thailand	Thailand	Thailand	Thailand
<b>Full/Sub-Assembly</b>	FULL	FULL	FULL	FULL	FULL
<b>Address</b>					
<b>Website</b>					
<b>Email</b>		NA		NA	
<b>Phone</b>					
<b>Other Links</b>					
<b>Notes</b>					

## Shortlisted 3<sup>rd</sup> Party Contract Manufacturing – Thailand (3/3) Sub-Assembly and Parts



	Contract Mfg 13	Contract Mfg 14	Contract Mfg 15	Contract Mfg 16	Contract Mfg 17	Contract Mfg 18
<b>Name EN</b>	XXXXX	XXXXXX	XXXXXX	XXXXXXX	XXXXXX.	XXXXXXX
<b>Country</b>	Thailand	Thailand	Thailand	Thailand	Thailand	Thailand
<b>Full/Sub-Assembly</b>	Sub-Assembly	Sub-Assembly	Parts	Sub-Assembly	UNKNOWN	UNKNOWN
<b>Address</b>						
<b>Website</b>	NA				NA	
<b>Email</b>	NA	NA	NA			
<b>Phone</b>						
<b>Other Links</b>						
<b>Notes</b>						



# Feasibility Study - RESULTS

## 3rd Party Contract Manufacturers – Identification & Qualification

- ✓ After reviewing 18 contract manufacturers, EWA identified several 3<sup>rd</sup> party contract manufacturers in Vietnam and Thailand who had the technical skill set and volume capabilities to supply our US client.
- ✓ Thru further due diligence in Phase 2, EWA recommended the 2 best qualified contract manufacturers. *The* client selected 1 of these manufacturers, which was based in Vietnam.
- ✓ US client approved the multiple samples produced by the Vietnamese company.
- ✓ As a result, our US client has now moved approximately 40% of its finished goods to the Vietnamese contract manufacturer.
- ✓ By the end of 2025, our client will have completed relocating the remaining 60% of its finished goods to the 3P contract manufacturer.
- ✓ Avoided 25% US import duties from China. Reduced labor costs.

## *3<sup>rd</sup> Party Subcontractor & Supplier Transition*

### Background

- Client is a global elevator manufacturer, with manufacturing facilities in Europe, China and North America.
- Historically, the client focused on equipment for high rise buildings – the high end market segment.
- A decision was made to expand into the market for 5-15 story buildings, a less technically challenging but a more price-conscious segment.
- Client had made the decision to support this new business through their China operation, but the China product was subjected to the US/China tariffs.
- Client's factories in the US are capacity-constrained. If the product launch met expectations, they would not be able to meet demand.
- **EWA was engaged to identify and qualify contract manufacturers in Mexico, then support the client in Mexico through supplier set-up and product qualification.**



### 3<sup>rd</sup> Party Subcontractor & Supplier Transition



- EWA consultants in Mexico identified and interviewed electromechanical assembly contractors and key component suppliers in the Monterrey area.
- EWA developed and issued an RFQ package to contract manufacturers. Worked with suppliers on clarifications, and then collected, analyzed and tabulated results.
- EWA identified local suppliers of sheet metal cabinets and wire harnesses to supply the contractor.
- To ensure product would not be subject to duties, EWA analyzed domestic content and local value-add.
- An EWA project manager in Mexico coordinated quality testing, production planning, and production startup as an extension of the client's quality and manufacturing organizations.



# Feasibility Study 2 - RESULTS

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## 3<sup>rd</sup> Party Subcontractor & Supplier Transition Case Study

- ✓ Client accepted the selected Contractor's quality systems and manufacturing processes.
- ✓ Client accepted Contractor's PPAP and Prototypes produced.
- ✓ Scale-up has completed for 1 of 3 products; remaining 2 are currently ramping up to planned production rates.
- ✓ Client has avoided the US/China tariffs.



## Site Selection & Manufacturing Analysis of *Thailand & Malaysia*

### Background

- Client is a publicly traded Georgia manufacturer of electronic products, who was concerned about the long-term viability of their China operation. The manufacturer had 3 existing plants in China, US and Germany primarily servicing the automotive, aerospace and defense industries.
- The China operation was originally established in 2008. The Board of Directors and senior managers were concerned about geopolitical tensions, US/China tariffs, rising labor costs, tough regulatory environment in China, and their ongoing concerns about IP theft.
- The China operation sold 30% of their China-produced product within China and exported 70%. The operation had long-term qualified suppliers in both China and Southeast Asia.

**Client engaged EWA to conduct a Feasibility Study in Thailand and Malaysia to determine a possible location for a new facility in Southeast Asia.**



## EWA's Implementation Actions

Conduct a Feasibility Study on Thailand and Malaysia:

- to identify available sites for a manufacturing plant
- uncover and negotiate governmental incentives to establish a manufacturing plant,
- define engineering fit-out costs to relocate the China plant to Thailand or Malaysia,
- assess projected detailed labor costs and availability of skilled labor.

The EWA team visited 15 business parks in Thailand and Malaysia to view available sites which met the operational criteria of the Georgia manufacturer, and to assess multiple logistics sites to clarify transportation costs and efficiency.

Additionally, we visited the operations in Thailand and Malaysia of other US manufacturing companies to gauge their experiences with identifying and qualifying viable local suppliers, hiring of employees, integrity of governmental incentives and local labor markets.



## Thailand Industrial Estates Overview



Source: WHA ID in Thailand

- D WHA Eastern Seaboard Industrial Estate 1
- C Eastern Seaboard Industrial Estate (Rayong)
- E WHA Eastern Seaboard Industrial Estate 2
- F WHA Eastern Seaboard Industrial Estate 3
- G WHA Eastern Seaboard Industrial Estate 4
- A WHA Chonburi Industrial Estate 1
- B WHA Chonburi Industrial Estate 2
- H WHA Eastern Industrial Estate (Map Ta Phut)
- J WHA Rayong 36 Industrial Estate
- K WHA Industrial Estate Rayong
- I WHA Rayong Industrial Land
- L WHA Saraburi Industrial Land
- Ready Built Factory
- 1-4 WHA Logistics Park 1-4
- WHA Customers



# Feasibility Study of Thailand & Malaysia

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## One possible Industrial Site in Thailand



Plot T31-1

6.85 Rai

Factory (40 x108 ) =4080 sqm

Office (20x12) x 2fl 480 sqm.

Total 4,560 SQM

17 meter height to lights, 3 ton floor load per sqm.

3 bays 2 on one side 1 opposite



## Amata City Industrial Estate



Established	1989
Location	Chonburi Province
Area	4,330 Hectare
Number of Factories	770
Number of Working People	181,879

### Industry

1. Steel, Metal, Plastic, Rubber (32%)
2. Automotive (32%)
3. Service, R&D, Logistics, Warehouse, Sales, etc. (9%)
4. Electronics & Electrical Industry (8%)
5. Chemicals & Related (8%)
6. Consumer Products, Healthcare, Packaging & Printing (7%)
7. Food & Beverage (3%)
8. Aerospace Industry (1%)

### Nationality

1. Japan/ Joint ventures (62%)
2. Thailand/ Joint ventures (20%)
3. Europe/ Joint ventures (6%)
4. USA, South America/ Joint ventures (4%)
5. Southeast Asia/ Joint ventures (2%)
6. Taiwan/ Joint ventures (2%)
7. P.R. China (2%)
8. South Korea (1%)
9. Australia/ Pacific/ Joint ventures (1%)
10. Others/ Joint ventures (1%)



## Penang Science Park, Penang Malaysia

### PENANG



Source: Invest Penang

- Center to ASEAN and Asia Pacific
- Green Belt location, free from natural disasters
- 2<sup>nd</sup> most urbanized state in Malaysia
- Total population: 1.8 million
- Total workforce: 857,200
- >50 years of industrial experience and manufacturing excellence
- >350 MNCs, over 4,000 SMEs & >200 Malaysia Digital status companies
- Thriving GBS & CoE for MNCs
- Houses 3 of the global top 10 semiconductor leaders
- Houses 6 of the global top 30 medical device companies
- Top FDI recipient among Malaysian States

# Feasibility Study of Thailand & Malaysia

## Penang Science Park, Penang Malaysia

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Source: JLL

### Property Details

Location	Lorong Perindustrian Bukit Minyak 22, Penang Science Park
Land Area	Approx. 2 acres (87,120 sq ft.)
Property Type	Single-Story Detached Factory
Built-up Area	Total: Approx. 47,000 sq ft.
Floor Load	2 ton/m <sup>2</sup>
Ceiling Height	30 ft
Power Supply	1200 amp
Loading Bay	-
Indicative asking rental	\$6.66 USD per SQM
Availability	Immediate



## Case Study 5 - RESULTS

The Feasibility Study revealed that Thailand was determined to be a better location for 3 primary reasons.

### 1. Available sites, costs, and accessibility

EWA found 3 existing sites and 2 new sites were available within 8 months in Thailand. In all 5 cases, the lease rates and management fees were more competitive than in Penang. In addition, all 5 sites were easily accessible from Bangkok, eliminating the need for internal domestic flights.

There was only one available site in Penang, and its lease rate was more expensive than the Thai sites.

### 2. Thai government Investment Incentives

EWA has a close relationship with the Thailand Board of Investment (BOI). Based on our review of the client with the BOI, the BOI offered very aggressive incentives to attract our client's Foreign Direct Investment.



## Case Study 5 - RESULTS [con't]

### 2. Thai government Investment Incentives [con't]

In Thailand, EWA understood that there was potential to receive 6 to 8 years of Corporate Income Tax (CIT) holiday, and possibly an additional 5 years of 50% CIT tax holiday.

In addition, EWA knew from experience that the Thailand BOI is very supportive in assisting with BOI-funded firms, and that the BOI may be able to assist with components, raw materials, other inputs.

### 3. Competitive labor rates and availability

In all job position categories, Thailand is more competitive as it pertains to both professional and operating labor costs. In addition, the Thai government supported programs to utilize production labor talent from Burma and Laos, increasing labor availability. Penang labor was scarce, due to competition from large Japanese MNCs.

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## Q&A Discussion

### Tariffs

- *What countries offer trade agreements with the US which reduce the current 25% tariffs from China to the US?*
- *How does one approach the analysis of Local Content & Substantial Transformation to meet local country requirements?*

### Industry Concentration & Supplier Networks

- *For manufacturing within certain industries (or selected types of products), are some countries generally more appropriate or inviting? Supplier Networks*

### Foreign Investment Incentives

- *What type of incentives do countries typically offer? Are they country-wide, or regional? Where do you see attractive foreign investment environments and policies (taxes, land, employee recruitment)?*

### Labor Costs & Availability

- *Which countries have the most competitive labor costs?*
- *Will a country Feasibility Study help determine the availability of both skilled and unskilled labor?*

## Q&A Discussion

### Tariffs

- *How does one approach the analysis of Local Content & Substantial Transformation to meet local country requirements?*
  - *What countries offer trade agreements with the US which reduce the current 25% tariffs from China to the US?*
1. Local Content & Substantial Transformation addressed by Customs officials in the US and foreign country
  2. Critical piece of analysis
  3. Can take up to 18-24 months
  4. SE Asian countries and Mexico covered by trade agreements with the US
  5. Parts of USMCA has been previously renegotiated, and future Administration has made statements about future changes
  6. Thailand has Treaty of Amity
  7. Vietnam has existing trade agreements with other trading partners and strategically adding others



## Q&A Discussion

### Industry Concentration & Supplier Networks

- *For manufacturing within certain industries (or selected types of products), are some countries generally more appropriate or inviting? Supplier Networks*

#### Vietnam

- Furniture, electronic assembly, more labor intensive products, starting semiconductor

#### Thailand

- Electronics, automotive, industrials, etc.

#### Mexico

- Automotive, medical, metal stamping & fabrication

## Q&A Discussion

### Foreign Investment Incentives

- *What type of incentives do countries typically offer? Are they country-wide, or regional? Where do you see attractive foreign investment environments and policies (taxes, land, employee recruitment)?*

#### Thailand

- Top down & Nationwide governance

#### Vietnam

- More fragmented and governed by individual business parks

#### Mexico

- More regional
- Incentives are more labor-based than Corporate Income Tax



## Q&A Discussion

### Labor Costs & Availability

- *Which countries have the most competitive labor costs?*
- *Will a country Feasibility Study help determine the availability of both skilled and unskilled labor?*
- Vietnam has lower labor costs than Thailand, China, Mexico
- Availability of labor and the skill set are the 2 most important, which will differ by region inside a country
- Labor costs are often not critical because labor component a small percentage of overall product costs

## Q&A Discussion

### Shipping Costs

- *How do shipping costs affect specific countries and products when deciding where to locate? Sometimes, the answer is counter-intuitive.*
- *If shipping costs are a significant component of a fully-landed cost BOM, what countries are located such that transportation costs can be minimized?*

### Real Estate & Construction Matters

- *Which countries offer the ability to cost-effectively lease and/or purchase land, and build-to-suit manufacturing facilities?*
- *Is it possible to find existing built factories, or do you most often have to build your own?*
- *Will a Feasibility Study take into consideration the availability of Industrial Parks with an inventory of prebuilt manufacturing space? Availability of architecture & engineering firms?*

### Reliance on China

- *Will we be able to import to the US those strategic components from our present suppliers in China who are critical to our manufacturing process?*
- *Could we source components from China, then ship to and assemble in other countries?*
- *Should we just consider relocating to a different region within China?*

### Other Country Considerations

- *Will a country Feasibility Study include a review of Energy Costs? Corruption Index information? Safety & security factors?*
- *An assessment of a country's potential markets that you could sell into as well as export to US?*



## Q&A Discussion

### Shipping Costs

- *How do shipping costs affect specific countries and products when deciding where to locate? Sometimes, the answer is counter-intuitive.*
- *If shipping costs are a significant component of a fully-landed cost BOM, what countries are located such that transportation costs can be minimized?*
- Small electronic products vs. larger, bulky
- Mexican transit costs to Chicago vs. SE Asia
- Also consider shipping costs when importing components

## Q&A Discussion

### Reliance on China

- *Will we be able to import to the US those strategic components from our present suppliers in China who are critical to our manufacturing process?*
  - *Could we source components from China, then ship to and assemble in other countries?*
  - *Should we just consider relocating to a different region within China?*
- 
- Local content strategy over 18 months
  - Usage of Chinese suppliers
  - How much product will you be sourcing from China



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- Introduction of Speakers

Part 2: Why are manufacturers relocating out of China? What are some critical considerations?

Part 3: East West Associates "Feasibility Studies"

Part 4: Q&A Discussion

Part 5: **Follow up**

- Participants will receive a webinar survey
- Webinar recording & PowerPoint will be provided in follow up email and available on EWA website ([www.eastwestassoc.com](http://www.eastwestassoc.com))

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