

Is The Era Of Cheap Goods From China Over?

By: Peter Bauman, Esq.

<http://commercialcounselor.com/>



Many businesses in the United States chose to have goods manufactured in China because doing so has been a low cost alternative to manufacturing at home.

But economists and business leaders have increasingly begun to question whether China is the best place for manufacturing goods, especially with competitive alternatives available in other Southeast Asian nations.

Recently, Antoine van Agtmael, the founder of an investment firm focused on emerging market equities, penned an [article](#) highlighting five pending “game changers” that could bode ill for China. They are:

1. The shale gas explosion
2. The erosion of low-cost advantage
3. The burden of aging populations
4. The smart phone revolution
5. The fighting spirit of smarter competition

The second point, low-cost advantage, is of prime importance to Western manufacturers. And van Agtmael argues that “China is no longer *the* place for manufacturing,” because:

... “An American factory worker can be competitive at \$15 per hour with a \$3 worker in China” according to GE’s Jeff Immelt, with a narrowing wage gap having an even bigger impact

... Unit labor costs in the US are more competitive than anywhere in the developed world (except Sweden)

... The productivity of Chinese workers is in question because, among other things, China suffers from a lack of technologically trained manpower (according to several manufacturers with plants in China)

... China’s advantages with respect to “scale for assembly-type production, infrastructure, internal competition, and growing domestic market” are now in question

Many of the points made in the article are based on observation and discussions with business leaders, rather than scientific research. But they do raise important questions as to whether China is the best place to locate manufacturing operations.

Clearly, there are inefficiencies and uncertainties in China. Western companies new to China often underestimate these factors, which can be the difference between cost savings and cost increases.

This may be the year American companies take a closer look at these factors and consider other locations in Asia for their manufacturing needs. <http://bit.ly/OA5aeM>

For over 35 years small businesses, major corporations, public entities, individuals and insurance companies have depended on Tharpe & Howell, LLP, to deliver pragmatic, innovative, cost-effective civil litigation and transactional solutions. For more information, please contact us at (818) 473-5720 or email your request to cabusinesslawreport@tharpe-howell.com.