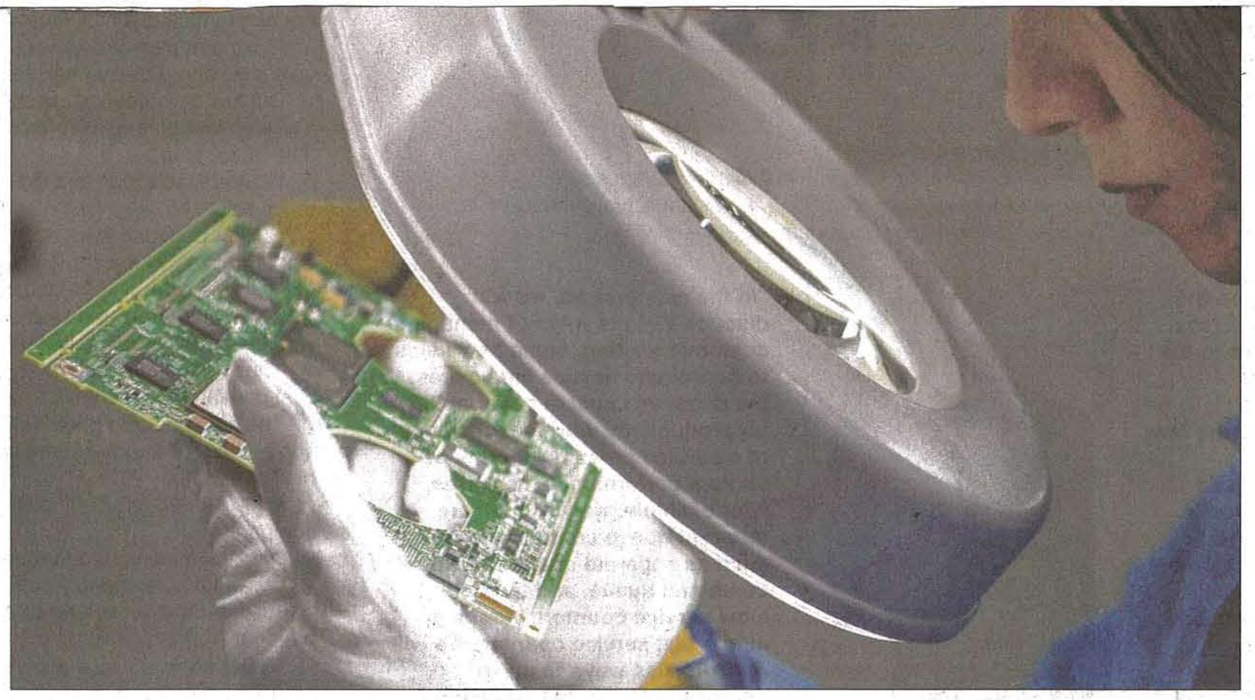
THIS WEEK'S TOPIC:

If you were an international manufacturer, where would you site your next factory? What would be the main factors behind your decision?



Karen Reddington

Regional Vice-President, South Pacific
FedEx Express

The potential that we're seeing in emerging markets – such as the MINT (Mexico, Indonesia, Nigeria, Turkey) and CIVETS (Columbia, Indonesia, Vietnam, Egypt, Turkey, South Africa) countries – is tremendous. However, the decision to locate business and manufacturing facilities would depend on a variety of factors, including a domestic market with strong growth potential, availability of talent and labour, stability, attractiveness for foreign direct investment, and pro-trade, pro-business policies.

Specifically, the success of global commerce in these new markets will require the intersection of the right physical and informational infrastructure to be in place. This includes the development of "hard" infrastructure, such as roads, bridges, ports, airports, power and Internet access; as well as "soft" infrastructure, such as the liberalisation of trade policy and an advanced educational environment. The right investments will bring bright futures for these economies and enhance the role they play in the global marketplace.

Lim Soon Hock

Managing Director
PLAN-B ICAG Pte Ltd

I WOULD still site the next factory in China, which will evolve to be a super economic power. It makes strategic sense to be present in the largest domestic market. That said, the operation would not be a "sweat shop". It will pursue more value-add activities, which will take advantage of the creativity, innovativeness and talent in China, as it acquires more experience and builds its track record in the journey to become a super economic power.

I expect China to evolve from a labour-intensive manufacturing centre to a knowledge-intensive one, much like what the United States and Singapore had gone through in the past. China will be a major global manufacturer of a wide range of products and a global provider of multifarious services. When that happens, China does not need to be a factory to the world; we can expect the country to expand its manufacturing footprint to capitalise on the comparative advantages offered by other less-developed countries, such as South and South-east Asia, Africa and South America, to complement its domestic operations.

Many Chinese companies will become global and multinational. When this happens, there will be enormous opportunities to be tapped. It makes good business sense, therefore, to operate right in the backyard of China, if I have the next dollar to invest.

Robin C Lee

Group COO
Bok Seng Group

JUST a few decades ago, the United States and Europe were the main manufacturers producing for themselves and the world. Then, in stormed Japan to take over that role, but not for long. The Taiwanese and the Koreans then had their turn and more countries followed suit.

The country currently in the spotlight, China, will eventually lose its accolade as the world's factory with its labour costs rising and its people aspiring for better things in life, including higher wages. China is no longer just producing for others but is also itself a huge consumer, with the potential to rival the US and Europe soon.

Now factories are springing up in Vietnam, Cambodia, Bangladesh and Indonesia, if they have not already done so, as these countries have plenty of labour to produce the goods the developed world needs. But these markets may not be the final destinations. There is no doubt that these manufacturing sites will eventually make way for newer and greener locales.

In my view, what is imperative is not just the cost and availability of labour but the long-term productivity and effectiveness that a country can offer to remain competitive in terms of stability, quality and price. A well-planned and well-designed plant with optimal use of efficient processes and labour-saving automation will triumph in the long run.

A low-cost country will remain low-cost only until inflation, social pressure and growth set in; then its costs will soar just like in China. Ironically, it will not be long before we start seeing more manufacturing returning to the developed countries where everything is produced using minimal or no human labour.

Dr Jim Li Hui Hong

CEO/Founder
JSB Tech Pte Ltd

RECENT years of global financial crises have unveiled the vulnerability of an overly services-driven economy, while manufacturing is now recognised as an important pillar to both the developing and advanced economies in forging sustainable development and growth. In particular, high-valued manufacturing is gradually re-shoring back to some advanced economies as part of efforts to halt declining job losses resulting from their decades of aggressive overseas outsourcing.

China, as the world's factory, took a leading role to increase wages for the past five years, effectively ending the "cheap goods" era and moving towards "affordable goods". This is likely to benefit the lower-middle income South-east Asian countries and perhaps India too.

As Singapore is a maturing and increasingly diversified economy having a relatively small manufacturing base, it would be highly strategic to retain a critical cluster of some key manufacturing sectors in order to ensure supply chain competitiveness and responsiveness, which are key requirements for a vibrant innovation-driven economy.

Tim Moylan

President, Asia Pacific
Infor

TRADITIONAL factors that contribute to the choice of manufacturing sites today continue to be overheads, wages, taxes and the availability of skilled labour. As Asian economies transform and the global manufacturing model transitions from "made-in-Asia" to "consumed-in-Asia", manufacturers are looking for locations that provide both cost value – in terms of traditional factors – and centralised access to emerging Asian markets such as Vietnam, Cambodia and Thailand.

That said, enterprises in today's global economy also need to evaluate their connectivity and IT infrastructure to enable them to manage and utilise offshore manufacturing sites more efficiently. These technology considerations are crucial, regardless of the actual physical location of a plant. New developments in enterprise software and the development of cloud-based systems provide manufacturers with flexibility as advances in IT infrastructure alleviate other business costs such as logistics and communication between the upstream and downstream supply chain.

Manufacturers will do well to consider their ability to navigate and access manufacturing data and resource allocation tools in real time, together with traditional considerations such as taxes and labour costs.

Ng Tian Beng

Vice-president and Managing Director
Dell South Asia

BOTH government and market forces play a key role in determining manufacturing competitiveness of countries and subsequently an organisation's manufacturing strategy. According to Deloitte's 2013 Global Manufacturing Competitiveness Index, access to talented workers is the top indicator of a country's competitiveness, followed by a country's trade, financial and tax system, and then the cost of labour and materials. Dell is seeing ample opportunities in emerging markets globally from both a manufacturing perspective and also market growth. While China remains an important market for us, with several production factories, and design, R&D and solution centres, we have also invested in production facilities in countries across several regions. In Asia, Dell already has production facilities in Malaysia, India and China, and we continually assess any market's feasibility and potential as a production hub for the organisation to efficiently deliver our end-to-end solutions to customers.

Natalie Shuman

Senior Vice-President, General Manager, EMEA & APAC
Kelly Services

POLITICAL stability, robust infrastructure, costs and favourable regulations are factors that most businesses, including manufacturers, will consider before setting up international operations. However, another major consideration is the availability of talent. Business productivity and performance is often closely linked to the skill level of the labour force, and this is one of the reasons why manufacturers still look to China.

Although labour may be cheaper elsewhere, the large and increasingly skilled workforce in China means companies can enjoy higher productivity as well as the flexibility to manufacture a variety of products. Although labour costs are increasing, they can often be offset by the reliability and sophistication of the Chinese supply chains, which are seldom available in emerging markets.

Competitor countries such as Vietnam, Cambodia and Myanmar have been quick to try and play "catch up" with China and if they continue to develop their talent, supply chains, business infrastructure and government regulations, they may well begin to offer a serious alternative to international manufacturers looking for new sites.