# Manufacturing Options: Mexico vs. China

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In today's dynamic manufacturing environment, companies have several attractive options to consider when expanding, relocating or simply starting a new manufacturing facility. The global economy is still healing from the economic downturn of the past years, but there is a light at the end of the tunnel. Mexico and China are poised, standing ready, willing and able to attract world class manufacturing to their shores.

How do corporations facing today's challenges weigh their manufacturing options? One would assume that cost is at the top of the list for most, and, to no surprise, China—as well as other Asian countries—has held the top spot for low-cost manufacturing in the last two decades.

However, recent studies have shown that although cost is an influential factor, it is not always at the top of the list. There are other important factors to consider such as strategic location, quality and experience just to name a few. In this playing field, Mexico certainly makes a compelling case for itself when compared to China.

**LOW-COST MANUFACTURING**

In the last decade Chinese labor rates have increased significantly. Today the average wage of a manufacturing employee in China is between \$1.65 and \$1.85 per hour. Of course, labor rates are contingent upon the location of the factory as well as the industry they serve.

Mexico, for the most part, has remained stable in its labor rate averaging anywhere from $1.85 to $2.25 per hour (also contingent upon location and industry). Something else to consider is the hours an employee works per week. For example, China has a 44-hour work week and Mexico has a 48-hour work week. Mexico has roughly a 10 percent advantage in this respect.

Other cost components to consider are the duties and tariffs imposed on Chinese products imported to the U.S. Be they finished goods or raw materials, costs can be significantly higher than those imposed on Mexican products. In many cases, because of NAFTA, Mexican raw materials pay zero duties and finished goods pay only on the value added portion of their cost component when entering the U.S. and some European countries.

**STRATEGIC LOCATION**

As the saying goes "location, location, location" and Mexico's location is ideal for companies selling into the North American and European marketplace. Having a manufacturing site hours from the consumer saves on transportation costs. The average transit time from the moment a shipment departs China to the time it arrives in the U.S. is 30 days resulting in higher costs. Mexico delivery times are far less; depending on the origin of the shipment, it can take anywhere from a few hours to a few days for a product to arrive at its destination.

Mexico's strategic location is ideal for several other reasons. First, companies can maintain "just-in-time" delivery to their consumers and distributors. Second, reaction time to any production or operational issues on the factory floor can be resolved in hours, not days or weeks. Third, maintaining greater operational control of the manufacturing base is less challenging because of its proximity to the corporate office.

And let's not forget about South America. It has also developed an insatiable appetite for North American and European goods from cars to electronics to household appliances and everything in between. Having a Mexican manufacturing base provides companies with an opportunity to tap into the South American marketplace while at the same time supplying their North American and European consumers.

**QUALITY AND EXPERIENCE**

Mexico's entry to the manufacturing arena began more than 50 years ago. At it's inception, the draw for foreign manufacturers was its low-cost labor rates. Today the manufacturing landscape is much different; Mexico has attracted global corporations such as Volkswagen, GM, Bombardier, Bose, Eaton and other world class companies by proving it has the technical skills and capabilities to compete not only in North America, but on the world stage as well.

Many of today's Mexican manufacturing plants reach far beyond simple assembly. It is not uncommon to find companies that design, develop and manufacture some of the most complex products in the marketplace in a variety of industries. Aerospace, automotive, medical and electronics manufacturing companies find themselves at home in Mexico. From pacemakers to airplanes, Mexico meets and exceeds the standards set by world class companies. A close working relationship between industry and higher education has made this possible. Curricula at universities and technical schools are now shaped by the specific demands of industry.

**"BIENVENIDO A MÉXICO"...WELCOME TO MÉXICO**

One last key component to consider when discussing Mexico vs. China is culture and language. Though they are not mutually exclusive, cultural and language barriers can pose a threat to the success of any manufacturing site. Working in the manufacturing sector, it is almost certain that a Mexican national will speak English and, along the border, the workforce is not only bilingual but bicultural as well.

Mexican and U.S. cultures are no doubt different in many ways, but they are both western cultures and in that regard, share more similarities than North American and Asian cultures do. The U.S. and Mexico also share common interests and are more likely to concur in best practices as they relate to global competitiveness. In a nutshell, the U.S. and Mexico cultural similarities will undoubtedly ensure the global competitiveness and economic prosperity of those companies willing to venture into new horizons.