



A Study of the Trend of Manufacturing Enterprises Moving to Southeast Asia

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Abstract. As technology continues to evolve, the world's manufacturing firms are moving to Southeast Asia for lower labor, materials, and taxes. Whether and how to shift to Southeast Asia is the research direction of this paper for small manufacturing firms that are large in volume and broad in scope. So what are the advantages of transitioning to Southeast Asia? What kind of enterprises are suitable for transitioning to Southeast Asia? And what will be the trend of the whole world? Should enterprises shift all their production centers of gravity, or should they just shift part of their production centers of gravity? Does the shift mean that we should give up our established markets and strengths, and how to integrate these resources and utilize them better? This article will analyze the advantages and disadvantages of shifting micro enterprises' production center of gravity and how manufacturing enterprises should better survive in this era under this megatrend. From the thesis results, the transformation and relocation of light industrial factories are inevitable. Lower production costs are bound to attract more customers. However, how we should utilize this geographic shift is more important, and stratification of production is also necessary.

Keywords: Manufacturing Enterprises, transitioning to Southeast Asia, geographic shift, production center

1. Introduction

The Ten-nation Association of Southeast Asian Nations (ASEAN) now has a golden opportunity to move up the manufacturing value chain[1]. China has rapidly grown to become the world's most prolific manufacturer. Economic reforms like decentralized trade, trade liberalization, and foreign investment spurred unprecedented growth. On average, China's GDP has grown 9.5% every year since 1979, according to the Federation of American Scientists[2]. In 2010, China became the world's number one manufacturing country, and more and more foreign brands are choosing to set up factories in China and manufacture some of their low-end products there. The early Apple is an example. They will be the hardware placed in domestic production, but with the country's development in recent years. China's manufacturing industry has been able to go to the production of some high-end products and research, part of the production of low-end products, because of the rise in labor costs. The center of

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gravity of these production has begun to occur the transfer of the center of gravity of the output has been to Southeast Asia to send. The center of gravity of the private sector production enterprises has also likewise Occurred a shift, then the production center of gravity transitioned to Southeast Asia, in the end, what are the advantages and disadvantages?

2. The Trend of Manufacturing Enterprises Moving to Southeast Asia

For domestic low-end manufacturers, Southeast Asia has cheaper labor costs, It can be more effective to reduce production costs so as to increase the company's profitability. [1]At the same time.Southeast Asia, to attract foreign investment. More preferential policies, tax exemptions, tax reductions, and various customs concessions. For foreign trade-oriented production-oriented enterprises. Some customers will require shipments from Vietnam because it can save 15% -20% of the tariffs of their own companies, so part of the production center of gravity from transferring to Southeast Asia, for foreign trade companies have a more significant advantage and competitiveness. Compared with the inland, Southeast Asian countries have a better geographic location and accessibility of transportation. Southeast Asian countries are closer to vital international trade routes, such as the "Silk Road Economic Belt" and "21st Century Maritime Silk Road" and so on, which makes Southeast Asian countries easier to transport and distribute products. Southeast Asian countries have significant market potential, with large populations and market potential. There is a lot of market space for manufacturing. In addition, Southeast Asian countries also have a reliable supply chain. They work closely with other major economies to form a perfect supply chain. Enterprises can also use these advantages to generate their unique supply chain ecology. Not only this, we can observe that companies, no matter what, are striving to improve the resilience of their supply chains and are looking to diversify their production footprints, moving away from single-sourcing and producing their products closer to the end market - a focus that has become even more pronounced during the COVID-19 crisis. At the same time, next-generation Industry 4.0 technologies and increasing pressure on companies to reduce greenhouse gas emissions are creating new opportunities through game-changing practices[1].

2.1. Two stages of light industrial production

Lewis, in *The Evolution of the National Economic Order*, mentions that in the conclusions of many scholars, it is concluded that the transformation of industrial production patterns is divided into two stages. The first stage is the transfer from developed countries to developing countries, such as Apple's early placement of its production tasks in China, etc.; the second is the transfer from developing countries to developing countries in a lower segment. There is no doubt that we are now in the midst of the transition from the first to the second stage.

2.2. The advantage of moving the industry to South Asia

The countries in Southeast Asia have more traditional forms of agricultural gardens. The pace of industrial development is slow, [3] and the country's industrial base is relatively weak. Therefore, for these Southeast Asian countries to undertake production orders from the outside can also quickly promote the development of the country's internal industrialization while stimulating the vitality of the local manufacturing industry.

There is broad consensus that OFDI plays an essential catalytic role in increasing domestic productivity, helping countries adjust and optimize their industrial structure, integrating global resources, and acquiring advanced technology and R and D capabilities from developing countries.[4]Therefore the transfer of labor-intensive production may be an effective way to adjust the production structure and architecture accordingly. Enterprises can be more accurate classification of the products to be produced. For example, for foreign trade and domestic sales, the demand for the company can be completely foreign trade orders transferred to Southeast Asian countries for production, the domestic charges are still in the domestic production. In this way, export orders can be better transported out. For Party A, Southeast Asian countries' exports can be exempted from 15% -20% tax. For Party B, due to the convenience of transportation and tax policy, the company has a greater opportunity to find more quality customers. And the parent company in China continues to target domestic production routes.

It is worth mentioning that many large domestic factories are also almost simultaneously in Southeast Asia, most of which are steel companies, such as Delong Holdings' DXN Group, Hebei Wuan Iron and Steel, Shanxi Jianlong Group, China Steel Group and other companies. Of course, in addition to this steel industry, more moved out of the domestic OEM factories, such as Lucent Precision, Compal, Lance Technology, etc. Domestic manufacturing plants are to develop the Southeast Asian market from the point of view of resources and the environment in favor of China's development. After many of the steel industry members moved out of the country, they could be operated through local mineral resources for production, significantly reducing domestic energy consumption.

Even Apple is no exception; in recent years, some of Apple's production lines are accelerating the plan to move out of China, and suppliers are also actively relocating their factories to Vietnam, India and other countries. Vietnam, where Apple had already moved many production lines to in mid-2018, has announced relocating some production lines to India in early 2023. It is reported that this practice Apple is to improve its risk resistance as much as possible, and on the other hand, it is also to save costs. From the production results, the consumer response is not satisfactory. AirPods Bluetooth headphones, AirPods Pro, AirPods 3 and other products appear in the words "Made in Vietnam". According to consumer reaction, these products produced in Vietnam have "quality control" concerns. The new generation of Apple's Bluetooth headphones has many burrs, burrs, scratches on the ears and other problems, so many consumers have to carefully check the quality of the product after purchasing the product. Apple, in recent years, is also gradually moving its factories

to India; in Apple's view, moving to India's factories can get cheaper labor. As early as last year, there was news that Apple had moved some production lines to India, but there was no follow-up news, so it was also left unsettled. However, the relevant departments in India said several Apple factories had been developed in India. Apple, a company that wants to grow and pursue profitability, cannot be faulted for doing this as it reduces the risk in the production supply chain and costs. For them, although the quality is not good enough for the time being, after the technology and further updating of the equipment, the increase in the quality of the products may be just a matter of time.

So what is the reason for the transformation of the manufacturing industry? Why are more and more companies abandoning their original routes and moving part of their production to Southeast Asian countries under this trend?[5] Taking China as an example, in recent years, many local brands have emerged to compete with foreign companies, and gradually some local brands are at a disadvantage, and foreign companies no longer have tax subsidies. In this regard, Southeast Asia has developed a series of preferential welcome policies for foreign-funded enterprises, Southeast Asian countries have apparent advantages, and Europe and the United States had to turn to cheaper Southeast Asia.[6] Secondly, environmental pollution is becoming more and more serious, and has been advocating energy conservation and emission reduction, the concept of green development, manufacturing enterprises on air pollution emissions, "contribution" amount is also a handful of domestic enterprises every year on the discharge of gas, and water have very high regulations, strict control. The protection cost of environmental protection has also gradually increased. Foreign enterprises are reluctant to spend a large amount of protection cost for environmental protection. Of course, Southeast Asia has become the preferred place. Finally, in the early days, China, with abundant low-priced labor, a vast consumer market, and a variety of policy concessions, opportunities and chances, attracted foreign-funded enterprises to turn to China to build factories. Europe and the United States must have been pursuing benefits maximization. Currently, China is the most in line with the European and American market requirements. With the rapid progress of China's economy, China's development is increasingly soaring, a large number of labor prices, and the competition of local enterprises, foreign-funded enterprises to save money can only be turned to lower wages opened in Southeast Asia.[7]

The manufacturing industry provides many jobs for China, and China's economic development has been a critical help. The transfer of the manufacturing industry in China in the short term will inevitably cause a particular impact. So what exactly should be done to better development in this trend?

Although the manufacturing industry has been relocated to obtain higher profits. [5]However, we can not ignore that India, Vietnam and other parts of the region are not technologically advanced. The production of products may also have quality problems, and a short period will have a particular impact on manufacturing enterprises. This is a problem that takes time to solve, so enterprises should also be careful to transfer their company orders. Quality has always been synonymous with Made in China; we can not give up the quality of the product because we want to get higher profits. This is a loss rather than a gain. Therefore, quantitative processing is

necessary for this type of enterprise to transform the order. The author thinks the order does not need to transfer all, but the order to do part of the transfer to maximize profits.

More than that, we have to Carly coincide about the material using situation. The price of the material may also become one of the problems manufacturers consider, Southeast Asia has a more diverse raw materials, compared to domestic materials. Southeast Asia's price advantage is relatively large. Therefore, if the enterprise will be part of the production in Southeast Asia, they can also use the raw materials in Southeast Asia for production, which not only saves the cost of materials also reduces the cost of transportation of raw materials. This may also be many entrepreneurs choose to relocate another reason.

The author wants to use the eyeglass industry as an example. The development trend of eyeglasses may also be one of the reasons why many eyeglasses production-oriented enterprises have transformed. There was a large amount of metal-stranded glass from the beginning. More and more use of tablets, TR90 and other injectable drinks has become popular. [8] More and more companies are starting to introduce all types of machines. This also alleviated a situation where there would have been more workers on the assembly line. [3] Most eyeglass frames are made of sheet material, and this part of the production of eyeglasses is basically through machine injection moulding. [9] A lot of mechanization, so the injection workshop does not need a lot of human resources. Therefore, we can consider transferring this part of the work. The operation of this part of the project is relatively simple, and the work intensity is relatively low. This kind of work aligns with the current pace of work in Southeast Asia and the environment. Therefore, at present, Southeast Asian countries are more suitable to undertake some relatively low-end orders. Although the parent company/factory is still accepting some fairly high-end orders, and due to the transfer of some workshops, the parent company will have more space to carry out and expand to new customers while also focusing more on product development and new customer research and development. This will allow the company to do better planning and management. In the long run, it will not harm the company's growth.

3. Conclusion

In conclusion, manufacturing was improved over the last decade, and we have to confirm how much this industry has been helping this world develop. [10] The transfer of sectors may be inevitable, and private and large enterprises may be affected to a greater or lesser extent. While the economy is developing rapidly, factories are constantly looking for ways to maximize their profits. Therefore, both production-oriented enterprises and companies want to set up warehouses overseas. [1] Relatively cheap and labor-intensive enterprises will gradually weaken the social competitiveness of constructing a complete industrial chain. The development of high-tech industries is the top priority. For the national level, the production transition will undoubtedly have an impact on the country's GDP production, from the point of view of jobs, economic development, large factories to Southeast Asia, increasing

local financial income and jobs, reducing domestic financial income and jobs, which is very unfavourable. In addition, transferring many large domestic manufacturing plants is unsuitable for our country. Therefore, the government should consider this development trend and propose corresponding policies. Big countries always lead the development of the economy of small countries, and now it is the critical period for the development of production-oriented enterprises.

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