Made in China…But at What Cost?

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When it comes to business and manufacturing, I have to admit, I'm not always the "Rah! Rah! USA!" guy. As a consumer, I believe in getting the best product for my dollar, regardless of where it is made. My mother used to continue to buy U.S. cars because she believed in "buying American" even though each and every car she got would give her some sort of mechanical problem for a significant amount of the time that she owned it. She finally bought a "foreign" vehicle (once she understood that there are a number of "foreign" car makers with factories in the U.S.) and has not had nearly the amount of problems.

Similarly, on the business side, I understand that cutting costs sometimes means going to a cheaper labor area to maintain a competitive edge, or in some industries, to stay competitive at all. Perhaps the cost savings involves better access to the supply chain. Or just like that car company did by opening up factories in the U.S., manufacturing overseas can mean opening up new market regions for a product.

So while I understood the trend of outsourcing to China, it's always made me wonder how many companies had actually done their due diligence before moving manufacturing there and how many were just playing follow the leader.

The reason this topic comes up at all is due to a recent event in the news involving a medical device company's executive (Chip Starnes, co-owner of Specialty Medical

Devices) who was held hostage in a facility in China by workers looking for a severance package (or unpaid wages; the details are somewhat unclear) that other workers got. Even though the company had no intention of laying off these workers who had taken the executive hostage, they still wanted the severance their peers received. In the end, the company paid off the workers and Chip Starnes was released.

Frighteningly, this isn't an isolated incident in China. Company executives have been taken hostage before (I don't want to presume to say "regularly" but as I understand it, the event is not uncommon). Even more surprising is the fact that the government is more apt to side with the workers and their demands simply to return to a semblance of order. The government will "encourage" the company to resolve the demands with the workers rather than interfere via some sort of "rescue mission."

This incident becomes yet another in a batch of "nightmare scenarios" I've heard about when it comes to outsourcing to China. I've heard of a situation where a company that was outsourcing to China found that one day, the entire production staff there quit and moved to a new facility down the road because there was a slight increase in pay. How much business did that company lose because the facility was unable to make product? Was it worth the outsourcing move from a more reliable area?

What about the story of the company that was "shut down" by the government because the government decided they wanted to produce the same product to sell? The Chinese government opened up a new competitive company that sold to the populace with no recourse for the ousted company.

Now, of course, these are a handful of anecdotes. Additionally, I cannot truly verify that the two latter stories are 100% factual. They are simply stories I've heard regarding outsourcing to China.

That said, I'm always happy to hear of reshoring efforts and manufacturing that is coming back to the U.S. While I'm not opposed to foreign outsourcing, I do enjoy seeing people in my country find jobs and see an improving economy. And admittedly, perhaps a small part of me still does partake in the "Rah! Rah! USA!" when I see that happening.

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