

Apple, Microsoft, Google plan to leave the production line from China, but is it easy?

It was not until the Covid-19 epidemic had a serious impact on the production line in China that some American technology firms were scrambling to find a way to transfer the line to other countries. But is this easy?

American technology giants such as Apple, Google and Microsoft are considering moving hardware production lines to other countries like Vietnam or Thailand to avoid the Covid-19 epidemic in China.



If assembly lines like smartphones can move easily and quickly, moving parts production lines from China is extremely difficult.

Reducing dependence on China has never been easy

"The US supply chain is more dependent on Chinese production lines than ever before," said Sean Maharaj, executive director at global management consulting firm Aarete .

For example, the US companies are dependent on production lines in China such as Qualcomm, Microsoft, Google and Apple. Many hardware such as processor chips, tablets, smartphones of these companies are being manufactured and assembled in China.

However, because it is too dependent, it is now difficult for companies to withdraw easily from the billion-dollar nation. The problem for these companies is how to move the entire supply chain but still have to ensure the

supply of raw materials for later production activities.



According to the analysis of experts, the difficulty of technology companies is quite understandable because an electronic product is made up of many things, such as monitors, cameras, memory, . All of them are manufactured separately before being assembled into a finished product.

Currently China accounts for 40% of the finished goods volume in the world. Therefore diversifying the sources of production outside China is not too difficult for companies with complete manufacturing and assembly documents.

But it is worth mentioning that up to 60% of modules are manufactured in China. This is the problem that makes it difficult for firms to move the production lines of this module module is not easy.

Meanwhile, components are an integral part of the modules and serve the assembly of finished products. In order to move the components production line, it is imperative that we move an accompanying support ecosystem.



Not to mention that it will take a lot of time to build infrastructure and production lines that meet the standards of technology firms in a country other than China. Especially, nowhere is the abundant and skilled human resource source like China at this time.

Come here to see, once the component suppliers continue to maintain production in China, it will be difficult for firms to diversify the line.

There have been positive signals

Maharaj said that the process of diversifying the supply chains to escape China of companies is still going on. Only this process progresses very slowly.

The prerequisite is that firms must actively work with the governments of the countries where they want to move the chain, such as Korea, Taiwan or Vietnam. Only thus can the speed of conversion and diversification of supply really be accelerated faster than expected.



In the end, moving some production lines out of China is not necessarily the best way to reduce companies' risk. It is important that every firm needs strategies to cope with unexpected crisis.

According to the Nikkei daily newspaper, Google is starting to produce new low-cost Pixel 4a smartphones. Many rumors said that Google will produce this model at its factory in Vietnam in April. In addition, its high-end model will also be manufactured in Vietnam in the second half of this year.

Besides, Google is said to be silently building production lines in Thailand, serving the production of smart home products.

As for Microsoft, the giant from Redmond is expected to start producing Surface computers and desktop computers in Vietnam in Q2 / 2020. Previously both companies had set up production lines mainly in China.

On the Apple side, this trillion-dollar company began testing its production line of AirPods in Vietnam last year. The company is also urging suppliers to soon shift from 15-30% of output from China to countries in Southeast Asia, including Vietnam.

All three companies did not immediately respond to requests for comment.

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