

Foxconn's Next Frontier

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Hon Hai Precision Industry Co. Ltd. (“Foxconn”) is a Taiwan-based manufacturer that makes products for Apple, Intel, Sony, and others. Known for its plants in China, including one in Shenzhen that makes iPads, it also has operations in Brazil, Malaysia, Mexico, and other locations.

Indicator	China	Thailand	Vietnam
<i>General</i>			
GDP per capita (2005 USD)	8400	9200	3500
Doing Business overall (percentile)	50.8	90.3	46.5
World Economic Forum overall (percentile)	80.0	73.6	47.9
<i>Governance</i>			
Political stability (percentile)	25.0	16.5	52.8
Govt effectiveness (percentile)	60.7	59.7	45.0
Regulatory quality	45.5	56.4	29.4
Rule of law	41.8	48.8	39.9
Control of corruption (percentile)	30.3	43.6	33.6
<i>Labor</i>			
Minimum wage (USD per month)	204	118	65
Severance after 10 years (weeks of pay)	43	50	43
Labor market efficiency (percentile)	71.5	47.2	64.6
Literacy (percent of adults)	94	94	93
Years of school (adults)	8.2	7.5	6.4
<i>Infrastructure and trade</i>			
Infrastructure quality (percentile)	66.7	68.1	34.0
Export documents required (number)	8	5	6
Export delay (days)	21	14	21
Export cost (USD per container)	580	585	610

Table 1. Institutional indicators for China, Thailand, and Vietnam. Percentiles range from 0 (worst) to 100 (best). Sources: Penn World Table, World Economic Forum, World Bank, Doing Business.

With wages rising rapidly in China, Foxconn is exploring other locations. As a private consultant, you have been asked to write a short report outlining the advantages and

disadvantages of locating in Thailand and Vietnam and to compare both to China. You collect the information in Table 1 and begin your report.

- Which of these indicators are most important to your venture?
- How do the two countries compare on them?
- Which country or countries would you recommend to your clients? What are the primary challenges they would face?