Move over, Michigan, China is the world's next Rust Belt
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Six cities in Liaoning province, including Shenyang and Anshan, recently announced they are converting abandoned industrial sites to farmland. Dongguan, once a booming factory center, is on the verge of bankruptcy as companies close, leaving the local government severely cash-strapped.

Just two years after China overtook the U.S. to become the world's largest manufacturer, the country faces the prospect of decades of de-industrialization. And there is little Beijing can do to arrest the slide.

Globalization once propelled China. Hong Kong manufacturers flocked to that country's coastal regions in the early 1980s largely because labor costs were low and regulation lax. Later, companies had little choice but to move to China because their competitors had already located there, and soon suppliers congregated around assemblers, forming efficient industrial communities. The country became an integral link in the production plans of manufacturers, large and small.

As a result, China made itself the manufacturing powerhouse. From nowhere, it became the world's biggest producer of steel, cameras, toys, sporting goods, shoes, garments, textiles, televisions, cell phones, pens, you name it. One enterprise, Shenzhen-based BYD Co., grabbed more than half the global market for mobile phone batteries. One city, Datang, produced more than a third of the world's socks: about a pair and a half for each man, woman, and child on the planet each year. The country manufactured eight out of ten of the world's microwaves and nine out of ten of its DVD players. China churned out 70% of all counterfeit goods.

But as the Chinese say, "no feast lasts forever." Various trends coincided to erode their country's competitive advantages. First, Chinese authorities started enforcing environmental rules as citizens took to the streets to complain about metals in the soil, pollutants in the water, and soot in the air. Now, no one in China wants to live in a "cancer village," and people are routinely blocking projects, especially in the prosperous coastal regions of the country.
Second, smaller foreign investors began to pull back as they realized that manufacturing in China substantially increased the risk of loss of their intellectual property. Beijing did little to stop rampant theft.

Third, Chinese political risk, once thought to be minimal, became a factor. Beijing attempted to use its considerable economic leverage to achieve geopolitical goals, and this involved the targeting of companies from countries that had, in one way or another, angered China. Since the middle of 2010, Beijing has gone against Japanese, Norwegian, American, and European Union businesses. Chinese leaders, in the process, started to make their country an unreliable part of global supply chains.

Fourth, changes in the market convinced companies that there were significant cost and time-to-market advantages in manufacturing close to customers. The friction in dealing with faraway Chinese factories, once ignored, is now a big consideration in plant-location decisions.
Fifth, the most important factors in eroding China's competitive position involved the labor force, the reason why foreign companies moved to the country in the first place. For one thing, the world's most populous country, paradoxically, began to run out of people. The size of the workforce peaked in 2010, six years before Beijing's official demographers said it would, and rural residents are increasingly reluctant to move to the cities to work in dreary factories and live in squalid conditions.

Labor shortages helped drive up wages, which are now rising faster than both inflation and productivity. Last year, urban wages were up 14.3% in the nonprivate sector and 18.3% in the private one.

And Chinese workers have become restive, showing discontent from strikes to suicides. Labor issues became so serious that Foxconn Technology Group, which now employs 1.2 million workers in China, decided it had to automate. Last year, this electronics assembler had 10,000 robots in that country. In 2014, there will be a million of them making products for Apple, Hewlett-Packard, Nokia, Microsoft, and Sony, among other brands.

Automation, however, essentially eliminates the advantages of China as a manufacturing platform for the world. Robotized production in China is no cheaper than robotized production in, say, Texas or California, where Foxconn maintains manufacturing facilities. And so it should come as no surprise that, as Foxconn replaces humans with machines, Apple CEO Tim Cook told NBC's Brian Williams on Thursday that next year his company will manufacture one of its Mac computers in the U.S.

Even though Cook's announcement could have been "political"—a "token gesture" as one observer in Hong Kong sniffed—it nonetheless is part of a broader narrative of factories fleeing China. After all, Apple is not the only company to recently announce it was "onshoring." Lenovo, China's largest maker of PCs, in October said it would move some computer manufacturing to its North Carolina facility, and General Electric has been transferring production back to Appliance Park in Louisville. Small- and medium-sized manufacturers are started to return to the U.S. as well.

American manufacturers, in short, are gaining on the Chinese. Boston Consulting Group has predicted that around 2015 it will become more economical to manufacture in the U.S. than China in seven industrial sectors. American workers are more productive and less likely to strike than their Chinese counterparts. Moreover, as suggested above, transportation costs are much lower and delivery times far shorter when goods are made here. And energy is substantially cheaper in America.

Of course, these trends do not mean all manufacturing will come back to America. "As far as my industry is concerned, I don't see production moving out of China to the U.S. in the foreseeable future," said Willie Fung Wai-yiu of undergarment maker Top Form International to the South China Morning Post. "Our trade is labor intensive."

Yet some labor-intensive garments are now being made in the U.S., as my wife's stroll around our local Walmart, located in Manville, New Jersey, revealed yesterday. There, for instance, she found Mainstays bedding with U.S. labels.

Chinese goods were hard to find. She saw that every piece of clothing in Walmart's house brand, George, was made in Bangladesh. Items with the Hanes label came from Guatemala and El Salvador, Wrangler jeans from Nicaragua, Fruit of the Loom from Honduras. Danskin apparel was imported from Jordan, Egypt, and Kenya. If you want to know where Simply Basic sleepwear comes from, fly to Cambodia.

My wife, after some searching, did find one garment label made in China. It's called "Faded Glory."

Fonte: Forbes [Portal]. Disponível em: <http://www.forbes.com/sites/gordonchang/2012/12/09/move-over-michigan-china-is-the-worlds-next-rustbelt/>. Acesso em: 14 Dec. 2012.