Daniels Fund Ethics Initiative
University of New Mexico
http://danielsethics.mgt.unm.edu

Debate

Outsourcing: China vs. Mexico

ISSUE: Should U.S. companies choose to outsource to Mexico over China?

When a business is considering its outsourcing options, China is high on the list. For over twenty years, China has built its economy and infrastructure around different types of outsourcing (product development, software, engineering, and so on) in order to appeal to more global businesses. Outsourcing has been advantageous for both the Chinese economy and the businesses that invest in the country. Lower labor costs in China have offered many global companies the opportunity to gain a competitive advantage. In addition, due to the recent global recession, many more companies began to take advantage of the outsourcing opportunities in China to save on costs and stay in business.

However, cost and efficiency are not the only factors that businesses might want to consider when looking to outsource. From a business ethics standpoint, China is known for its tight controls on the Internet and on many aspects of business and labor due to its communist government. In addition, piracy and counterfeiting of intellectual property have proven costly for many global companies. These issues can present serious obstacles to businesses. While the Chinese government has made some policy changes, the discrepancy between the ideological mindsets of the U.S. (democratic) and Chinese (communist) governments are a source of tension. For example, cyber hacking activities against the United States and censoring of Internet traffic within China are making U.S. companies weary of investment. Additionally, due to the growth of the Chinese economy, many Chinese workers are protesting for higher wages and a better quality of life, leading to changes in China's business environment. As a result, some firms have begun to take their outsourcing elsewhere.

Outsourcing to Mexico is becoming an attractive choice for U.S. businesses due to proximity, free trade agreements, and protection of intellectual property. The U.S. and Mexican governments are more closely aligned in political and economic values, resulting in similar cultures that make doing business with each other easier and less prone to serious incidents. Not only is alignment of values important, but the close proximity of the two countries offers other benefits such as better communication due to easier travel and similar time zones, collaboration, productivity, and overall lower risk. Mexico pays higher wages than China, but outsourcing to Mexico reduces other costs such as travel, having to work odd or extra hours to communicate with faraway employees in China, and stationing personnel at Chinese locations.

Mexico has also invested in the education of their people, so skilled labor needed for outsourcing activities is abundant. The Mexican economy is growing and is expected to become one of the top ten largest economies. Proponents of outsourcing in Mexico point out that Mexico has global experience, a sound infrastructure, and political and economic stability, which are attractive to foreign investment.

On the other hand, some of these advantages are also disadvantages. For example, because Mexicans have good education and more job options, it is increasingly difficult to maintain staff and execute expansion plans. This flux of personnel and stifled growth can result in lower quality of work. In addition, one of the reasons why companies are choosing to outsource to other countries is due to higher labor costs in China. However, it would seem appropriate for Chinese workers to advocate for better pay and working hours. Should Chinese businesses be punished for taking better care of its employees? Should the United States attempt to promote the economic well-being of the people involved in the manufacturing of their products, even if this does involve higher wages? Finally, as the world's most populous country, the Chinese market remains a highly lucrative opportunity for investment and expansion, particularly as it is now the world's second largest economy after the United States.

There are two sides to every issue:

1. *China is the best country for U.S. outsourcing because the benefits of investment for both countries outweigh the challenges.*

2. *Mexico is a better country for U.S. outsourcing than China due to its closer proximity, democratic government, and stronger relations between the two countries.*

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