

Answers to China Tariffs: Strategy for Protecting Your Product Costs.

Avoid CHINA TARIFFS ??

Contact MES

Currently Sourcing From:

Country	Manufacturing Processes
India	Aluminum Die Casting Zinc Die Casting
Mexico	Ductile & Gray Iron Casting Forging
Vietnam	Investment Casting Aluminum Extrusion

On September 23rd, President Trump initiated third set of tariffs which increased prices on almost \$150 Billion worth of products in a variety of industrial sectors. There was also some military action in South China Sea which shows belligerent Chinese naval ships engaging in skirmishes with US vessels. These military actions as well as stubborn attitude by the leaders of both countries have made many executives uncomfortable with their existing supply chains.

MES is continuing to receive numerous inquiries from its customers asking for solution to:

- 1] Avoid tariffs and costs
- 2] Develop temporary solutions to reduce or nullify tariff costs
- 3] Develop a longer-term supply chain strategy to offset impact from China based supply chains

MES offers sourcing solutions from three countries to help its customers diversify supply chains away from China. These are:

A] India

MES has had a sourcing office in India since Oct' 2010. It buys products from about 23 factories spread in different parts of India. MES also boasts sourcing and quality engineers in several cities to support its supplier and quality management processes.

Prime Minister Modi's "Make in India" initiative (since 2015) has improved investment in all major manufacturing technologies, products and processes. These investments as well as increased exposure of suppliers to global customers operating in India has improved their competitiveness and productivity. For all of its commodities such as aluminum die castings, iron castings, steel forgings, steel castings, various rubber products and machined components, Indian suppliers are now as competitive or better than their Chinese counterparts. General improvements in VAT refunds, simpler national tax system (National GST – General Sales Tax initiated in 2016), removal of various import duties on raw materials and removal of local octroi duties have led to simpler exporting processes shedding days to weeks of lead-times in exporting from India.

MES's Bombay Metrics trading office, based in Coimbatore and Mumbai has audited and approved suppliers, which can ramp-up the tooling, process development and production ramp-up to diversify away from China suppliers. Indian suppliers provide a robust, cost-competitive sourcing options and in the longer term, can provide a sustainable supply chain strategy.

Vietnam

MES has been buying from Vietnam suppliers since 2014. We have audited and approved about 23 suppliers, mainly in die castings and extrusions. Most of the suppliers as well as Metrics Vietnam staff is based around Ho-Chin-Minh.

Vietnam economy has been growing by 5-7% annually since 2010. McKinsey and other consulting companies expect Vietnam to be one of the major beneficiaries from Chinese tariffs. They are expected to grow significantly in electronics, automotive components, clothing and other commodities.

MES has and will continue to only develop its supply base in South Vietnam near Ho Chi Minh city due to proximity of port, availability of enough industrial factories, availability of people for supply chain, quality and engineering.

Mexico

MES opened its warehouse in Monterrey in 2013. Since then, MES now has warehousing in Juarez, Tijuana and Monterrey to support its growing Mexico customer base. For years, MES preferred to focus on sourcing from India, China, Taiwan and Korea. Only since 2016 under pressure from several customers did MES develop sourcing and supply chain capabilities locally within Mexico.

Most of the Mexico sourcing is dual sourced to support global supply chain, optimize cost, lead times and manage variable demand patterns. MES has audited about 25

suppliers in technologies of assemblies, die castings, iron castings, extrusions and forgings. MES currently sources in several factories spread all over Mexico.

Mexico lead-times for tooling as well as tooling costs can be quite high. MES has been able to nullify them by leveraging its tooling build capability in China and Taiwan. After PPAP parts are done, tooling is shipped to Mexico to initiate production. This allows for tooling costs to be lower than in Mexico / US as well as achieve significant reduction in lead-times.

MES understands that China will continue to play a significant part in global supply chain. MES itself has entrenched suppliers who are competitive with strong cost, quality and delivery and may never be replaced. However, customers concerned about tariffs and possible disruptions are looking for viable solution. MES offers unbiased solution from its established supply base in Vietnam, Mexico and India to ensure best-in-class On-Time Deliveries (OTD), Inventory metrics as well as quality PPM ratings.

Contact MES and let's show you how to avoid tariffs while building out a robust global supply chain for your industrial components!