

Server ODMs Add Taiwan Production Lines, yet the Economic Benefits May Not Be on Par with China Manufacturers, Says TrendForce

2019-07-03 [Mark Liu](#)

According to the latest investigations by [DRAMeXchange](#), a division of [TrendForce](#), although the US and China have reopened trade negotiations, US server-related imports from China still face a 25% tariff, thus server ODMs will still add production lines in Taiwan as scheduled to avoid risks. North American Internet Service Providers (ISPs) such as AWS and Microsoft have already begun requesting collaborating ODMs to move their L6 (Level 6) server production lines to Taiwan to avoid potential tariff costs, whereas production plans for products shipped to non-US regions will remain as is.

TrendForce Senior Analyst Mark Liu points out that, judging from the operations of major server ODMs, we see them all establishing new production lines on Taiwan soil, with Inventec, Wiyynn and Quanta being the most aggressive at it. Inventec, for example, has already added two new production lines in Guishan, Taoyuan by the end of 2018, whereas Wiyynn has already introduced a new production line for its plant at Southern Taiwan Science Park last year, thanks to the addition of two new customers, and is expected to set another production line into motion this second half-year in conformity with plans to ramp up production next year.

Quanta's goal is to add 3 new L6 server production lines in order to meet the future demands of 5G-related applications and datacenter growth, whereas MiTAC's goal is to expand the plot ratio of its Hsinchu plant so as to nullify the tariffs' effects on L6 products for customers.

TrendForce believes that production lines located in Taiwan won't be achieving a high line-coverage rate, mainly since issues in testing and yield can't be completely resolved in the short term. Therefore, Taiwan ODMs will still rely on China for motherboard manufacturing, but some production lines will be moved back to Taiwan in order to lessen the effects of tariffs on shipments bound for certain North American customers, who will bear some of the costs incurred in plant relocation. There are currently a few ODMs avoiding tariffs through transshipments: Quanta, for example, ships its L6 servers to Taiwan, then to America after converting them to L7 servers. Although there's an additional shipment cost, it will still be cheaper than relocating production lines.

In the long-term, even after adding tariff costs, it is still more economically beneficial to manufacture in China, thus the motherboards and L6 production lines will still be located primarily in China, while Taiwan's share of lines will gradually increase to between 20% and 30% and revolve around the production of products with high added-value (Such as turnkey solutions for IDC customers in North America).

About TrendForce

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