

THE BIG PICTURE

Foxconn Under Fire

The Chinese authorities are probing the iPhone assembler as its founder Terry Gou's political ambitions grow.

BY AARON MC NICHOLAS — NOVEMBER 12, 2023



COMPANIES POLITICS TECHNOLOGY



Terry Gou, the founder, and former chairman and CEO of Foxconn, who plans to run as a candidate for the presidential election of Taiwan, attends a press conference to announce his nomination for vice president. September 14, 2023. Credit: The Yomiuri Shimbun via AP Images

Electronics manufacturing giant Foxconn saw its privileged position in China cast into doubt last month when it emerged that the company was under investigation in several provinces over alleged tax and land use offenses. The manner of the news going public — an [exclusive report](#) in Chinese state media — has left analysts debating what message Beijing is sending to Foxconn and its founder, Taiwanese presidential candidate Terry Gou.

This week, *The Wire* looks at Foxconn's contribution to China's position as the world's foremost manufacturing center and examines the company's efforts to diversify its business presence in other parts of the world.

ON TOP IN TAIWAN

In 1974, 23-year-old Terry Gou [founded Hon Hai Precision Industry](#), better known today as Foxconn, with 100,000 Taiwan dollars (\$3,000) in his pocket. The company started by making plastic knobs for television sets. By the 1990s, it was producing components for personal computers and assembling them for the world's leading brands, including Dell, Intel, HP and Apple, according to [Yan Ho-don, professor of economics at Feng Chia University](#).

Foxconn entered mainland China in 1988 when it set up a factory in Shenzhen. For Foxconn, China offered a large population of low-wage young workers eager to find opportunities to move from rural to urban areas. Today, Foxconn is China's largest private employer.

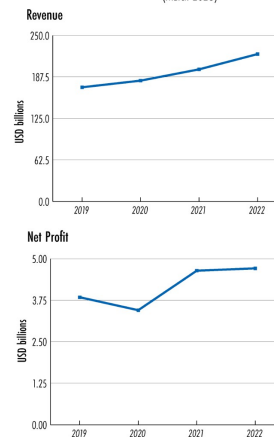
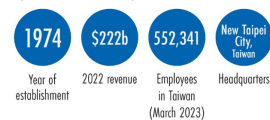
"One of the largest factories in Henan province, which is the iPhone supplier, has more than 300,000 workers in only one site," says [Jenny Chan](#), associate professor of sociology at Hong Kong Polytechnic University and co-author of *Dying for an iPhone: Apple, Foxconn, and the Lives of China's Workers*.

"It is this mega-scale of production and the potential consumption power in China that shapes the very sticky production supply chain and business model that is tied with China," adds Chan.

By 2018, founder Terry Gou's personal wealth had peaked at \$8.5 billion, according to a [Forbes estimate](#). The following year, Gou stepped down as Foxconn's chairman after 45 years as he campaigned for the Kuomintang party's nomination in Taiwan's 2020 presidential election. Gou failed to secure the nomination and now plans to stand as an independent candidate in the 2024 election.



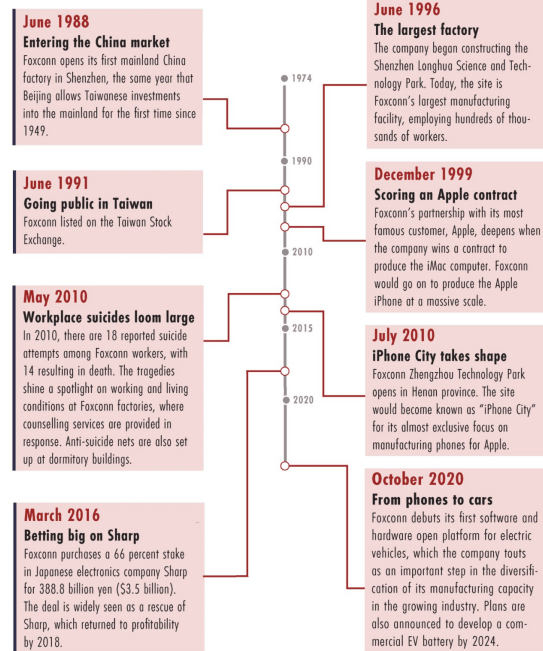
Foxconn is the world's largest electronics manufacturer and China's largest private employer. The company has served as a supplier to companies including Apple, Dell, Nintendo, Sony and Huawei. Foxconn's affiliate is listed in Taipei and in London as Hon Hai Precision Industry Co. Foxconn was founded by Taiwanese billionaire Terry Gou.



Source: Company annual report

A Prolific Manufacturer

Charting Foxconn's path towards leading the electronics world



Sources: Company statements, academic papers

FROM CHINA TO THE WORLD

Foxconn had by this time signaled its intention to diversify the location of its production sites. In October 2017, it announced to great fanfare that it would open its first major U.S. manufacturing facility in Wisconsin. State officials hailed the [\\$10 billion investment as the largest economic development project in Wisconsin history](#), one which would create up to 13,000 jobs by the time it was completed in 2020.

Those promises have largely failed to materialize. In April 2021, Foxconn reached a [new agreement with Wisconsin officials](#), reducing the amount of capital investment from \$10 billion to \$672.1 million, and the maximum jobs target to a mere 1,454.



"Doing the sort of thing that Foxconn was hoping to do in this country versus the way they may have done it in China is difficult to do because of labor restrictions, labor laws and wage issues," says [Dewardric McNeal](#), managing director of consulting firm Longview Global LLC, who served at the Pentagon as a special assistant to the deputy assistant secretary of defense for East Asia from 2009 to 2012.

Foxconn has also looked to India, where the company currently operates more than 30 factories that generate approximately \$10 billion in revenue annually, company CEO Young Liu [said during an earnings call in August](#). The following month, Foxconn's representative in India [said that the company aimed to double its number of employees and amount of foreign direct](#)

investment there in 2024.

"Apple is one of the marquee clients of Foxconn. Apple wants to go to India, so Foxconn probably will become very motivated to pursue the same route," says [Xiaomeng Lu](#), Director, Geo-Technology at political risk consultancy Eurasia Group.

Along with its traditional focus on consumer electronics, Foxconn has also prioritized building partnerships in the automotive sector, particularly with EV companies. Below is a list of some of Foxconn's recent partnerships:

Foxconn's Automotive Partnerships



ZF Friedrichshafen

Foxconn announced a joint venture with ZF Group in July 2023, one of the world's largest automotive suppliers. The partnership, which covers passenger car chassis systems, is aimed at expanding Foxconn's opportunities in the automotive sector.



Infineon Technologies

German semiconductor company Infineon announced a partnership with Foxconn in May 2023 to jointly develop advanced mobility systems for electric vehicles. The two companies also announced the establishment of a system application center in Taiwan.

Center for Networked Intelligent Components and Environments (C-NICE), University of Illinois

Foxconn Interconnect Technology partnered with U of I in 2019 to create a \$100 million C-NICE. The center serves as a tech hub that will drive the manufacturing plants, autonomous vehicles and smart homes of the future.

Zhejiang Geely Holding Group

Foxconn and Geely started a joint venture in January 2021 to provide consulting services to auto enterprises. The aim is to introduce automakers to the Information and Communication Technology (ICT) division of labor to aid their transition to new manufacturing processes.



Stellantis

Foxconn and Stellantis announced a partnership in December 2021 to design a range of semiconductors that will support Stellantis' vehicles. Stellantis CEO Carlos Tavares said the aim of the partnership is to cover more than 80 percent of the company's semiconductor needs.

Fisker, Inc.

EV manufacturer Fisker will build its second vehicle at a factory Foxconn acquired in Ohio. The Fisker PEAR will start production in 2024 and the two companies aim to build 250,000 units per year once the factory ramps up production.



Public Investment Fund, Saudi Arabia

Foxconn announced a joint venture with Saudi Arabia's Public Investment Fund in November 2022 to launch the country's first electric vehicle brand. The JV, called Ceor, will license components from BMW for use in the vehicle development process.



Nvidia

Foxconn and Nvidia announced a collaboration in October 2023 to develop a new class of data centers, which will power the digitalization of manufacturing workflows, the development of AI-powered electric vehicles and robotics, as well as language-based generative AI services.



Analog Devices, Inc.

Semiconductor company Analog Devices announced a partnership with Foxconn in July 2023 to develop digital car cockpit and battery management system technology. Foxconn said the two companies were pursuing a new era of automotive excellence.

Sources: Company statements, PitchBook

The news that Foxconn is under investigation in mainland China comes amid speculation that Terry Gou's presidential candidacy in Taiwan is viewed unfavorably in Beijing, given that he could siphon votes from KMT candidate Hou Yu-ih and increase the likelihood that the independence-leaning Democratic Progressive Party will remain in power.

Tax compliance investigations into Foxconn are underway in Guangdong and Jiangsu provinces, while land use inspections have also been conducted in Henan and Hubei provinces, according to an exclusive report in state-run [Global Times](#). In response, Foxconn [said it will actively cooperate](#) with the relevant units on the related work and operations.

“There was a time when Foxconn was the darling. They had the knowhow, they had the tech, and they were able to get some very sweet treatment from the local governments.”

— [Derwardric McNeal](#), managing director of consulting firm Longview Global LLC, who served as a special assistant to the Deputy Assistant Secretary of Defense for East Asia from 2009 to 2012

“We would be naive to think that, in addition to tax violations that may have occurred, that someone didn't decide that now isn't a good time to pull the trigger,” says McNeal. “When we have an election coming up, I think the pressure will be great as we move into January, to have some leverage there over the founder of Foxconn, Terry Gou, and to try and check some of his statements.”

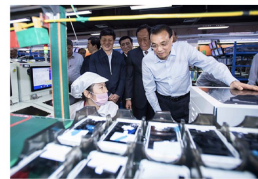
When announcing the start of his campaign in August, Gou pledged not to take orders from the Chinese Communist Party. “If the Chinese Communist regime says, ‘you are not listening to us, we will seize Hon Hai's assets,’ I would say, ‘Yes! Please! Do it!’” Gou [said in response to a reporter's question](#).

As China pursues self-reliance in critical technologies, analysts also debate whether Foxconn can expect to enjoy the same status in China that it once did.

“There was a time when Foxconn was the darling. They had the knowhow, they had the tech, and they were able to get some very sweet treatment from the local governments,” says McNeal from Longview Global. “That world in China has really dried up because of Chinese advancements.”

Nevertheless, the company's business interests in China remain significant, making any dramatic rupture in the relationship unlikely.

“Foxconn still has somewhere around 80 percent of its registered capital belonging to mainland China and Hong Kong-registered subsidiaries and affiliates,” says Lu from Eurasia Group. “I think the relationship is still substantial, even though both sides are coming to the realization that they are no longer as close as they were in the past.”



Then Premier Li Keqiang meets Terry Gou during a visit to Foxconn's factory in Zhengzhou, May 9, 2017.
Credit: Chinese State Council



Hon Hai Precision Industry Company Limited

Top Shareholders



wire|screen

Sources: [WireScreen](#), company annual report



Aaron Mc Nicholas is a journalist based in Washington DC. He was previously based in Hong Kong, where he worked at *Bloomberg* and at *Storyful*, a news agency dedicated to verifying newsworthy social media content. He earned a Master of Arts in Asian Studies at Georgetown University and a Bachelor of Arts in Journalism from Dublin City University in Ireland.



COVER STORY



The IP Odyssey

BY GRADY MCGREGOR

For over a decade, China's film industry has passed around and fought over the IP rights for "The Three-Body Problem" for ever-increasing sums of money — a saga that is nearly as complex and drama-filled as one of Liu Cixin's novels.

Q & A



Mike Froman on the China Trade Question

BY BOB DAVIS

The Obama-era U.S. Trade Representative discusses the U.S.'s need to figure out what it wants from China economically, the problem with tariffs and his regrets over TPP.

NEWS AND ANALYSIS



Heads Roll as China's Financial Clampdown Continues

BY RACHEL CHEUNG

The widening of Xi Jinping's anti-corruption drive is shaking industry and investor confidence.

wire|screen

The Global Intelligence Platform used by The Wire China

- ✓ Navigate China's business landscape
- ✓ Identify risk
- ✓ Spot opportunity

[Learn More](#)

