**IPhone City**

Describe the situation you are using the discuss the outsourcing dilemma:

* **What** happened?
* **Who** is involved?
* **Where** did it take place?
* **When** did it take place?
* **Why** did that happen?

Apple Outsourced Production to China’s Foxconn Facility(ZhengZhou) in 2000 to produce IMacs

-What were the reasons given regarding the motive of the outsourcing decision? What, if any, environmental forces did management specifically cite for triggering the decision?

Steve Jobs originally transferred most Apple manufacturing to China because it was the only country in the world with a huge ready-made supply-chain network, and the ability to scale up production almost overnight. Although China has cheap labor and energy inputs, it also has lax environmental and worker protections as well, increasing profits for Apple. There is also subsidies from the local government for ‘IPhone City’ where they also get trade secrets and employment/taxation opportunity in exchange for creating a ‘Special Economic Zone’ with lax costly rules. It has also opened up the domestic Chinese market(Over 1 billion people) for Apple product sales. Apple generates almost a quarter of it’s revenues from China where IPhones are seen as a luxury good, and the cult of IPhone is here as well, where people are standing in line for days for the newest release.

Benefits Received by Apple Include:

Built and partly financed the construction of a huge manufacturing complex at a cost of $600 million.

Spent around $1 billion to build housing that could accommodate hundreds of thousands of workers.

Provides a discount that reduces the cost of power by 5 percent annually.

Built infrastructure, including power generators and a 24-kilometer pipeline.

Eliminated corporate taxes and value added taxes for five years, then halved the usual rate for the next five years.

Granted a $250 million loan from the municipal treasury.

Helps recruit and train workers, as well as paying subsidies for new hires.

Lowered the amount of social insurance and other payments by up to $100 million a year.

Offers bonuses tied to the growth of exports.

Pays out a subsidy to help defray the cost of shipping goods.

-Can you find some reactions by the affected workers? What did they say about the situation?

Apple was actually fairly late to the China game, as the offshoring process began under Reagan in the 1980’s. They continued to manufacture in America until the 2000’s and design is still completed in sunny California.

They Chinese workers manufacture in dozens of factory sites, spread out across 2.2 square miles. The government pays recruiters a subsidy for every worker they hire, At the peak, some 350,000 workers assemble, test and package iPhones — up to 350 a minute. Up to 500,000 Iphones a day.

Suicides, riots, and covid forced work lockdowns would be a few of the issues for the disaffected workers.  
They installed suicide nets as risk management for the workers, to preserve life, and profits, as well as keep workers off the headlines, and the ground.

-What, if any, reaction could you find from the other (not affected) workers? What did they say about the situation?

There is contention about tax avoidance schemes, although, if you had a choice, would you pay them? They use Ireland as a tax haven to the EU as it currently has one of the lowest tax brackets for multinationals after manufacturing in China.

-What was the reaction from the public (media, politics, NGOs, etc.)?

Although self professed fighters of the workers and people; ‘liberals’ seem to be some of Apples greatest customers due to their design, ease of use, and marketing. There is some contention, A growing backlash against globalization puts Apple and other big multinationals directly in the sightlines. President-elect Donald J. Trump has vowed to bring down the full force of the government on American companies that move jobs overseas, threatening punitive tariffs on the goods they sell back at home. Apple has been a frequent target of Mr. Trump. Although with Biden and Covid back on the scene it appears to be business as usual.

-What did the company cite as the business reason for the outsourcing decision?

Money. A 32-gigabyte iPhone 7 costs an estimated $400 to produce. It retails for roughly $649 in the United States, with Apple taking a piece of the difference as profit. The result: Apple manages to earn 90 percent of the profits in the smartphone industry worldwide, even though it accounts for only 12 percent of the sales, according to Strategy Analytics, a research firm.

-What is your conclusion on the situation you described? Do you think the company made the right decision? Was it handled as well as it could? What could they have done differently?

Apple being one of the big five(Facebook(Meta),Amazon, Microsoft, Apple, Google) and controlling so much of our time and our lives. Apple has been in the headlines for as long as I’ve been paying attention, and remains one of the benchmark test cases for offshoring although they weren’t the first or the last, they are one of the big indicators in our unipolar globalized homogenous world. In a small city of 6 million with a labor force of almost 500k people alone working for Foxconn in Zhengzhou(dubbed “Iphone City”) it is a fairly unique story that I’ve had a natural personal interest in for years now, and look forward to see how it pans out in the future. When you have that many people gathered together working in close proximity with multiple stakeholders at a national level, there is bound to be ‘incidents’ and although what we see in the headlines is generally sensational it is still fascinating to see how it all manages to work together to bring us the products we use and depend on in our daily lives.

https://docs.google.com/document/d/194sSi7zdDgin1MHlwkCrpiCCcUdWW4otaUKxQwCc85U/edit?usp=sharing