

## China, Foxconn, Apple, and the Tipping Point

Written by Jerome F. Keating Ph.D.  
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"Things fall apart; the center cannot hold." In China, the Bo Xilai scandal continues to unravel and with it the continued cracks in the nation's economic strength and anti-corruption walls are getting wider and wider. Some pundits still cry "Run to China, it will become a responsible stakeholder and will still solve the manufacturing problems of nations." But others are finally beginning to have their doubts. For as the cracks widen, the realization dawns that peaceful-rising China is in reality an "Enron China" in the making, an upcoming disaster replete with the corruption, shady deals and cooked books that previously blew up in the faces of those who once touted Enron as the model to be emulated. "Things fall apart; the center cannot hold," this line from Yeats's, *The Second Coming*, now takes on greater relevance.

Yeats originally wrote those lines in 1919 to describe the dissolution of the old order in a post World War I Europe. There Bolshevism posed the rising threat and the old order capitalism seemed at a loss as to how to confront it. Ironically, the tables have now turned and China a central authoritarian, Leninist-based, one-party state now finds itself trying to accept its growing capitalistic side. Lacking a strong sense for the needed rule of law, China carries the obvious burden of questions of trust in a non-transparent society, with little freedom of the press. China nonetheless seems to be saying "trust us all is well, these are growing pains and not signs of dissolution." But for many, the warning signs have long passed and even the tipping point was crossed. It came at the very moment outsiders thought they were doing something good for China. It came with Foxconn and Apple.

If there is any current nation that totally depends on the center holding, it is non-transparent authoritarian China where more than a billion people are controlled by so few. Likewise, then, within this context, the Bo Xilai scandal can now be seen as the tip of a gigantic iceberg revealing how endemic corruption is. In the face of such odds, it becomes apparent that if the "best lack all conviction," and the "worst are full of passionate intensity," little good will follow. But, what does all this have to do with the Foxconn case, and the tipping point?

The Foxconn/Apple case is not one-dimensional. When it was revealed last November that there had been several suicides among the one million plus Foxconn workers, many reacted with shock and were critical that Apple would be associated with plants that required so much overtime work etc. But this sense of shock only revealed how ignorant those many were of what regularly goes on in China. For those more aware of China's actual work conditions, Foxconn was more a model providing many fringe benefits. Suicides are never a selling point, but comparatively speaking the number of suicides at Foxconn with its million plus workers were minimal when compared with the suicides and work deaths in other factories, workplaces etc. across the nation. On this score, the Foxconn situation revealed more about how little outsiders actually knew about China and how both interested parties regularly looked the other

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way in order to encourage investment and manufacturing.

Better working conditions and higher wages will follow, and here ironically is the rub. This forcefully raises the bar for all of the other factories across China and eliminates the reason why countries ran to China in the first place. At the same time, China is no-where near providing the jobs that it needs for its 1.3 billion people and the existing factories are no-where even near the standards of Foxconn. Put bluntly, Foxconn is the green wood in China; one can only imagine what happens in the dry.

Add then to this the fact that Premier Wen Jiabao stated at the National People's Congress in March that the nation's projected GDP for 2012 would only be 7.5 per cent. That is great for your average country but it is courting disaster for China. Exports are slowing and thus manufacturing is slowing as well. China, which has always faced great challenges in trying to upgrade the conditions of its 1.3 billion people, and had been able to justify its authoritarian non-transparent rule, has only been able to do such because it has had a consistent GDP of 10 per cent or more for the last decade. Now however, it finds the screws are tightening and if all factories are to upgrade to the proposed standards of Foxconn, investors will lose any further incentive for putting money in China. Investors are already looking to other countries such as Vietnam, Cambodia, and Indonesia etc.

In such troubled times, China, like any country, continually needs to have tight controls on corruption. It has not. In the past, the non-transparency and lack of free press had enabled China's ruling few to cover up any such lack and hide much of what went on behind the scenes. This is where the Bo Xilai case has pulled the curtain down and called not only all people but also all previous economic figures, projections and forecasts into question. What is true is that millions of dollars have been constantly flowing out of the country. Like Enron, China's shell game has suddenly been exposed. Even if the best had conviction, which they apparently do not, "Things fall apart; the center cannot hold." This is bad in itself, but it says nothing of the other problems that China faces in Tibet and Xinjiang. It further does not even address the fact of how China's belligerence in the South China Sea is contradicting its peaceful rise image. And finally it has also not addressed how it can handle the reality that the tipping point was reached with Foxconn and Apple.

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