Foxconn To Build Shanghai HQ For China Market

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SHANGHAI (AP) — Foxconn Technology Group, the world's biggest assembler of consumer electronics, began work Thursday on a Shanghai headquarters that it says will help spearhead its efforts to sell more in the China market.

The groundbreaking by Foxconn for its new, 80,000 square meter (861,120 sq. feet) "crystal box" center in Shanghai's prime Lujiazui financial district reflects the company's shift toward sales and services, said company chairman Terry Gou.

"We are turning our export factories to be more domestic market oriented," Gou told a slew of Chinese and foreign dignitaries who turned out for the event. Chinese leaders had urged him, he said, "to use our technology, scale and quality to make better, more affordable products for ordinary consumers."

Taiwan's Hon Hai Precision Industry Co. owns the Foxconn factories in China that assemble about 40 percent of the world's electronics. It is a key producer of iPads and iPhones for Apple Inc., the world's most valuable company.

Hon Hai's revenue totaled $116 billion last year, a 15 percent increase from 2010. Gou said he was confident the company would reach its "internal target" of growing revenue by at least 10 percent a year.

Foxconn employs about 1.2 million workers at low-wage factories in the southern Chinese city of Shenzhen and elsewhere in the country. Most still cannot afford the pricey smart phones and other gadgets they make.

Increasingly, though, China is viewing the low-cost export manufacturing that has transformed it in the past few decades as one that must change to a growth model based more on domestic demand.

Foxconn responded to a spate of suicides by employees in 2010 by more than doubling its basic monthly salary to 1,800 yuan ($290). It recently responded to pressure over labor conditions by pledging to limit working hours while raising hourly pay. The company has meanwhile been shifting its production away from its original base in the southern city of Shenzhen toward central and western regions of the country where labor costs are lower.

"We are doing our best to raise living standards by higher wages and improved benefits for our employees," Gou said.

"If our employees earn enough they can spend more money to increase domestic consumption," he said.

Foxconn plans for its headquarters in Shanghai to offer services that will

complement its push in the consumer electronics retail market and e-commerce, Gou said.

"We intend to dedicate a sizable space for our customers to display their products made for China," he said.

In March, Hon Hai said it was taking a 10 percent stake in Japan's struggling Sharp Corp. for about $806 million, hoping to counter growing competition from South Korea's Samsung Electronics Co.

Sharp, which makes flat-screen TVs and liquid crystal displays, and Hon Hai plan an alliance in LCDs and other electronics sectors to cut costs. Hon Hai also is keen to use Sharp's advanced technology to help integrate its production of iPads and other devices.

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