

## **Why Apple Assembler Foxconn Picked Malaysia To Build A Chip Factory For Electric Vehicles**

**FOBES**

**31 MAY 2022**

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Taiwanese manufacturing giant Foxconn plans to build a factory in Malaysia, a little-known semiconductor hub, to make chips for the ever-expanding field of electric vehicles.

Foxconn's Malaysian partner, Dagang NeXchange, said in a filing with stock exchange Bursa Malaysia that it had signed a memorandum of understanding with Big Innovation Holdings, a subsidiary of the iPhone assembler, to set up a joint-venture in the Southeast Asian country. According to media reports, Foxconn and Dagang NeXchange are building a semiconductor factory for electric vehicles.

The joint venture will build a fabrication plant specializing in the mature technologies of 28-nanometer and 40-nanometer process nodes, capable of producing up to 40,000 wafers per month.

"I believe Foxconn conducted its cost benefit analysis before making such a decision," says Darson Chiu, a research fellow with the Taiwan Institute of Economic Research think tank in Taipei. Goods made in Malaysia can sell in China, the U.S. and Southeast Asia free of political constraints, he says.

“Manufacturing in Southeast Asia will not only lower the costs but also deviate from the U.S.-China competition and conflicts,” Chiu adds.

Malaysia, Chiu notes, has Southeast Asia’s “most advanced IT capabilities and it’s important, because then Foxconn can recruit and train local technicians to kick off production.”

The Southeast Asian nation represents an emerging tech hub that’s sheltered from the Sino-U.S. trade dispute. The four-year-old dispute has imposed tariffs on hundreds of billions of dollars in each country’s products.

About 37% of Malaysia’s exports of goods comprise electrical and electronic products, notes Rajiv Biswas, executive director and Asia-Pacific chief economist at S&P Global Market Intelligence. Malaysia accounts for an estimated 13% of the global capacity for semiconductor assembly, testing and packaging, he says.

“Foxconn’s decision to build a major semiconductors facility in Malaysia reflects the high priority being given by electronics firms to diversification of their supply chains for critical electronics components,” Biswas says.

Foxconn, led by billionaire Terry Gou, has shown intent in recent years through a series of joint ventures to expand into electric vehicles, an industry set to reach \$957 billion worldwide by 2030 at a compound annual growth rate of 24.5% from this year.

The company formally known as Hon Hai Precision has reached deals with U.S.-based EV startup Fisker and Chinese automaker Geely, among others. A venture with Stellantis has allowed Foxconn to develop automotive cockpit software and another, with Gigasolar Materials, gives it expertise in EV batteries.

The Taiwanese assembler with annual sales of \$214.6 billion also operates its own platform for EV manufacturing.

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Source: [https://www.forbes.com/sites/ralphjennings/2022/05/31/why-apple-assembler-foxconn-picked-malaysia-to-build-a-chip-factory-for-electric-vehicles/?utm\\_source=FBPAGE&utm\\_medium=social&utm\\_content=7047286962&utm\\_campaign=sprinklrForbes+Asia&sh=7474895f2655&fs=e&s=cl](https://www.forbes.com/sites/ralphjennings/2022/05/31/why-apple-assembler-foxconn-picked-malaysia-to-build-a-chip-factory-for-electric-vehicles/?utm_source=FBPAGE&utm_medium=social&utm_content=7047286962&utm_campaign=sprinklrForbes+Asia&sh=7474895f2655&fs=e&s=cl)