

Coronavirus Highlights Apple's Risky Reliance on China

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Apple has revealed that the coronavirus is harming the company's bottom line. In the wake of the disease outbreak and subsequent lockdowns across China, Apple warned that it will [miss revenue expectations](#) for the first quarter of 2020.

Apple CEO Tim Cook has bet big on China, and that bet has largely paid off. As Apple's [second largest consumer market](#) and the anchor of the iPhone supply chain, China has been invaluable to Apple's soaring market value. This is why Cook has continued to lean into the Chinese market despite several major setbacks and [concerns](#) raised by Apple's operations team and investors. First, there was the spate of suicides and allegations of abhorrent working conditions at Chinese factories run by [Foxconn](#). Next, there was the fallout from [tariffs disputes](#). Now, there is the [coronavirus](#).

Whether the epidemic will force Apple to shift its strategy in China remains to be seen. On one hand, a clean break with China may be impossible. Apple has started to [experiment](#) with moving production elsewhere, but has struggled to find a comparable source of reliable, cheap labor. Furthermore, employing millions of local workers has helped Apple gain favor with the [Chinese](#) government, which wields immense influence over how global brands are perceived in the nation.

On the other hand, Apple might not have a choice. Despite the company's assurances that "Apple is fundamentally strong, and this disruption to our business is only temporary," the coronavirus shows [no signs of slowing down](#). The uncertainty surrounding the disease combined with pressure from executives and shareholders who want better resiliency and long-term sustainability may lead Apple to follow in the footsteps of rival smartphone-maker [Samsung](#) and downsize its operations in China.

Apple's enormous cash balance of over [\\$200 billion](#) means it can likely weather a short-term storm. However, the coronavirus has highlighted the extent of Apple's dependency on China and renewed questions about the long-term viability of that strategy.

