

## RISING TECH WARS: APPLE'S MOVE TOWARDS INDIA

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*(Views expressed in the brief are those of the author, and do not represent those of ISSI)*



**In late September 2022, the tech giant Apple announced that it will start producing its iPhone-14 in India.<sup>1</sup> The move is seen by many in the context of increasing tech wars between China and the US. Being the strategic partner of the US, India is the direct beneficiary of the growing competition between the two powers.**

Previously, Apple manufactured iPhones in India but it was older models. Apple started its production in India in 2017 by manufacturing its budget iPhone SE in India.<sup>2</sup> Wistron, a small assembler, carried out this operation. Later on, Foxconn and Pegatron, two major assemblers, expanded their business in India. As a result, some parts of the iPhone 12 and 13 were manufactured in India. It is the first time that Apple is producing its latest model, iPhone 14 in India. For now, Apple will only build its 6.1-inch model in the country.<sup>3</sup>

Apple's initial plan is to move five percent of iPhone production to India.<sup>4</sup> However, experts from JP Morgan estimate that by 2025, Apple could potentially produce 25 percent of its iPhones in India.

<sup>1</sup> "Apple says it will manufacture iPhone 14 in India," Reuters, last modified September 26, 2022, <https://www.reuters.com/technology/apple-says-it-is-excited-be-manufacturing-iphone-14-india-2022-09-26/>.

<sup>2</sup> "Apple Begins Making iPhone 14 in India Ahead of Schedule," Time, last modified September 26, 2022, <https://time.com/6216618/apple-iphone-14-india-production/>.

<sup>3</sup> Ibid.

<sup>4</sup> "iPhone 14 in India"

The report further highlights that due to various resources and competitive labor costs, India is a befitting market for the company.<sup>5</sup>

India aims at grabbing a bigger seat in the global supply chain manufacturers through various moves such as increasing its production capacity by offering lucrative subsidies, especially in the manufacturing and production industry. The idea is to transform India into a manufacturing hub. The incentives are attracting investors like Foxconn and Wistron, Apple's manufacturing partners. Foxconn has already started manufacturing iPhone-14 near Chennai in its Sriperumbudur facility.<sup>6</sup>

On Apple's part, the recent move is to increase iPhone's customers in India by allowing the company to increase its sales in the country. India is the second-largest smartphone market,<sup>7</sup> However, Apple had only a 3.8 percent share in its market sales in 2021.<sup>8</sup> Therefore, the recent bid is to capture the consumers in the country where rivals like China's Xiaomi and Samsung dominate the market.<sup>9</sup> Other rivals like Oppo, Vivo, and OnePlus also manufacture their products locally, therefore, the recent shift allows Apple a place in the local market.

It has been speculated that the new iPhone would now be available at cheaper rates to the residents. However, further analysis of the market prices suggests otherwise. The price drop is not a possibility for two reasons. First, despite the propagation of the idea that the new iPhone would be "made in India," there is nothing in these phones that is being made in India. These phones will only be assembled in India. Secondly, Apple is not known for dropping prices.<sup>10</sup> The iPhone-14's base model costs 799 US dollars, however, its price in India is 79, 000 Indian rupees, equivalent to 980 US dollars, <sup>11</sup> which is even higher than the price in the US.

Moreover, it must be noted that the majority of the iPhones would still be built in China. Foxconn will continue its business in Zhengzhou and Shenzhen; Pegatron in Shanghai and Luxshare

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<sup>5</sup> Ibid.

<sup>6</sup> "Apple Begins Making iPhone 14 in India Ahead of Schedule," Time, last modified September 26, 2022, <https://time.com/6216618/apple-iphone-14-india-production/>.

<sup>7</sup> Ibid.

<sup>8</sup> Livemint, "Xiaomi Leads the Indian Smartphone Market Followed by Samsung: Report," Mint, last modified October 22, 2022, <https://www.livemint.com/technology/tech-news/xiaomi-leads-the-indian-smartphone-market-followed-by-samsung-report-11666447916669.html>

<sup>9</sup> Ibid.

<sup>10</sup> Aabhas Sharma, "'Made in India' iPhone 14: What It Means for Apple, India, and Buyers - Times of India," The Times of India, last modified September 30, 2022, <https://timesofindia.indiatimes.com/gadgets-news/made-in-india-iphone-14-what-it-means-for-apple-india-and-buyers/articleshow/94492385.cms>.

<sup>11</sup> Manish Singh, "Apple Starts Manufacturing iPhone 14 in India in a Shift Away from China," TechCrunch, last modified September 26, 2022, <https://techcrunch.com/2022/09/25/apple-starts-manufacturing-iphone-14-in-india/>.

production facility will continue their production in Kunshan, Jiangsu province.<sup>12</sup> Against this backdrop, it becomes even more pertinent to explore the reasons for this shift on part of Apple.

A peek into the contextual setting of the move offers two explanations. First, since 2018 Apple has been looking to diversify its production pool. It started by producing AirPods in Vietnam.<sup>13</sup> Apple has also expressed its desire to produce iPads and Apple watches in Vietnam,<sup>14</sup> to reduce its dependence on China. Moreover, China's zero-covid policy has created hurdles for the manufacturing and production businesses, disrupting supply chains for many. Apple's production and distribution costs have been affected by it. Therefore, the company has decided to look for other options.

Secondly, geopolitics and the growing competition between the US and China is a crucial factor in the recent decoupling. On 7<sup>th</sup> October, the US announced certain export controls to stop the export of semiconductors to those factories producing advanced logic chips that are wholly owned by the Chinese.<sup>15</sup> On the same day, the US announced a ban on US citizens and green card holders to work in/with specific Chinese chipmaker factories, followed by issuing a list, declaring 30 Chinese companies as "unverified". The idea is to halt the supply of US tools to Chinese chipmakers unless they seek a license first.<sup>16</sup> This list comprises top memory chipmakers of China including Yangtze Memory Technologies Co., Ltd. (YMTC). Apple was supposed to take its memory chips from YMTC, however, after the new sanctions, it has put a hold on its plans.<sup>17</sup>

From the recent moves of the US, it can be further deduced that this ban goes deeper than semiconductors and is more about maintaining the leadership of the world economy. The domination in artificial intelligence will be pivotal in the fifth industrial revolution and the future economy. Therefore, the US would want to maintain a stronger hold on it. However, the move will also hurt South Korean and Taiwanese memory chip juggernauts like Taiwan Semiconductor

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<sup>12</sup> Cheng Ting-fang, "Apple Already Building Latest iPhone 14 in India," Financial Times, last modified October 2, 2022, <https://www.ft.com/content/1da1caa6-cd98-4335-902a-1bec453fc61e>.

<sup>13</sup> "The End of Apple's Affair with China," The Economist, last modified October 24, 2022, <https://www.economist.com/business/2022/10/24/the-end-of-apples-affair-with-china>.

<sup>14</sup> Ibid.

<sup>15</sup> "Biden Administration Imposes Sweeping Tech Restrictions on China," The Guardian, last modified October 7, 2022, <https://www.theguardian.com/us-news/2022/oct/07/biden-administration-tech-restrictions-china>.

<sup>16</sup> Ibid.

<sup>17</sup> "What Do US Curbs on Selling Microchips to China Mean for the Global Economy?," The Guardian, last modified October 19, 2022, <https://www.theguardian.com/world/2022/oct/19/what-do-us-curbs-on-selling-microchips-to-china-mean-for-the-global-economy>.

Manufacturing Company,(TSMC), and SK Hynix Inc,<sup>18</sup> which have also expressed concern over it.

The overall impact of the growing Sino-US rivalry will unfold itself over time. However, this increasing decoupling between the two powers is pushing the world towards an increased technopolarity and Apple's recent move towards India is a step in that direction.

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<sup>18</sup> Reuters, "Apple Plans to Make iPhone 14 in India Amid China Woes: Report," Daily Sabah, last modified August 23, 2022, <https://www.dailysabah.com/business/tech/apple-plans-to-make-iphone-14-in-india-amid-china-woes-report>.