



APPLE'S DECISION TO SHIFT PRODUCTION OF IPHONES FROM CHINA TO INDIA

In recent years, global supply chains have faced notable transformations, firstly induced by the microchip shortage in 2021 and later, last year, due to geopolitical tensions and trade policies. The factor that most affected all sectors, in this particular case, the electronics sector, was the new US administration under Donald Trump, which imposed tariffs on a large scale of Chinese goods. With this new policy, the new president aimed to mitigate the US trade deficit with China and shed light on unfair trade practices that directly impacted the tech industry by increasing manufacturing costs in China for US-based companies.

The real problem for companies like Apple, smartphone producers, is that they rely on Chinese companies to manufacture and assemble their products. Therefore, the increased costs resulting from the tariffs imposed would be a burden for the company itself, or they could pass it on to consumers by increasing the prices of the final products. This shift in global trade has prompted Apple to reevaluate its strategy for diversifying the supply chain, meaning it plans to relocate most of its assembly operations from China to India. This move could imply both political and economic negative consequences, such as potential job losses in China and increased production costs in India.

In April 2025, Trump announced high and reciprocal tariffs on several countries; later, he decided to ease this new policy. However, while the presidential administration has temporarily exempted smartphones from 125% tariffs on Chinese imports, Apple is still affected by a 20% tariff on Chinese imports. In a recent call with analysts, Tim Cook, Apple's CEO, stated that Trump's tariffs will add \$900 million to the company's total cost and lead to an approximate \$800 billion decline in its market capitalization by the end of H1 2025. As a result of negative exogenous factors, Apple has decided to shift its manufacturing production from China to India.

Nonetheless, Donald Trump has had a say in Apple's decision because he wants the company to manufacture iPhones in America, and he sees the decision as a way to avoid US tariffs on Chinese goods. This approach stems from the fact that China has been the most attractive country for tech enterprises due to its low labor costs, which result in a substantial advantage for any company. Apple is reluctant to shift its product manufacturing to the US because to move even 10% of the supply chain would cost nearly 30 billion USD over the next three years and the disruption and reconstruction of the complex supply chain would require years before reaching the actual production level. It is not only a matter of costs for Apple, but also of searching for the skilled high-tech workforce necessary to work in the US, due to the high salaries demanded. Consequently, shifting production to the US would imply decades of

investments in automation, infrastructure, and training, in addition to convincing components manufacturers to build facilities in the US.

The disruption of the supply chain, which would arise from shifting production from Asia to America, is considered the primary reason why Apple has chosen to maintain its presence in Asia. The proximity to suppliers and manufacturers is pivotal to Apple's productivity, enabling the company to leverage speed and quality in product and design innovation and communication.

Apple's current goal is to source all iPhones sold in the US from India, rather than China, due to the political tensions. The company aims to achieve this objective by the end of 2026, with the intention of doubling the output in India. However, this plan clashes with its relationship with China and the substantial investments made over nearly 20 years that enabled the establishment of such a tech giant. Most of Apple's products are assembled in China, but India and other Asian countries, such as Taiwan, play a significant role for the company. Namely, companies like Foxconn, which assemble the majority of iPhones, provide electronics services.

Maintaining strong relationships with companies that provide electronics manufacturing services is crucial for Apple. Foxconn has been a key partner for many years, expanding its production based on Apple's needs: initially in Shenzhen, then in other cities in China, Southeast Asia, and finally in India. Another important partner is Tata Electronics, which started assembling iPhones in 2017, aiming to reduce Apple's reliance on Chinese manufacturing. Despite facing a 26% tariff on imports from India, Apple remains committed to building more facilities for production in the country. The data show that 16% of all iPhones were assembled in India, and projections indicate a 4% increase in proportion to next year's total output. Last year, Foxconn and Tata started importing pre-assembled component sets from China, further strengthening their partnership with Apple.

Therefore, what Apple aims to achieve by shipping all the iPhones to America from India is to relocate most, if not all, of the assembly facilities to India while simultaneously seeking alternative components suppliers. However, the latter issue can be problematic because some components are "sole-sourced," meaning they are only available from one supplier, for instance, from Taiwan or South Korea, and it is impossible to find perfect substitutes. This could pose a significant challenge to Apple's supply chain management.

From a strategic perspective, this decision leverages Apple's reputation and strength to establish new manufacturing hubs without jeopardizing the quality of its products. On the other hand, the Indian supplier ecosystem may not flourish as well as the one in China. China could use this scarcity to attack the US with higher tariffs or higher production costs for US companies based in China. Another advantage is the diversification of manufacturers relying on a single country or a few geographical locations; an effective and efficient change in the supply chain can improve investors' confidence in new markets. Still, this shift must be completed in the short term before Trump reinstates elevated tariffs.

From a "5 forces model" perspective, the bargaining power of suppliers, which, as mentioned earlier, is crucial for the production of iPhones, may decrease because Apple is searching for new suppliers in India while retaining those companies in China that produce "sole-sourced" components. The rivalry remains intense, particularly with Samsung and local Chinese

brands; however, shifting the supply chain to South Asia stresses the company's agility, the possibility of reducing tariffs, and having bargaining leverage on costs against competitors.

From a market placement standpoint, relocating manufacturing facilities to India considerably enhances the consumer base and facilitates the exploration of new customer segments. This is also possible due to rising incomes among the middle class and increased demand for premium smartphones. Apple would be able to target this new customer segment while potentially reducing costs for Indian consumers. Furthermore, by establishing long-term relationships with Indian suppliers, Apple can capitalize on the country's economic growth and exploit the no-tariff policy India has offered to the US during Trump's visit to Qatar.

To conclude, the strategic decision that Apple is pursuing involve geopolitical tensions, economic considerations, and supply chain resilience. This potential shift is prompted by tariffs imposed on Chinese goods by the Trump administration, which has exerted considerable pressure on American companies like Apple that outsources production in China. The relocation of assembly and manufacturing facilities to India helps alleviate the burden of relying on a single production geographical location and aims to capitalize on the emerging Indian market. However, Apple must make substantial investments to establish a resilient supply chain, without compromising its innovation and quality of products.