



HOW THE MODI GOVERNMENT EXPLOITS APPLE PARTNERS TO POWER “MAKE IN INDIA,” PART I

BY KEJI MAO

Keji Mao (kejimao@gmail.com) is a policy analyst at the International Cooperation Center, China. He was a 2024-2025 Visiting Fellow in the Indian Studies in China Program at Harvard Yenching Institute.

In recent years, India’s consumer electronics manufacturing sector has grown with remarkable speed, becoming the world’s second-largest smartphone maker after China and, for a time, even surpassing China as the principal US source for imports of the product. This rapid ascent owes much to the so-called Apple partners—the contract manufacturers and component suppliers clustered around Apple’s production network. Their contribution has been so significant that they may fairly be called the primary drivers of India’s smartphone boom. Yet beneath the prevailing narrative of “Apple-enabled industrial takeoff” lies a far less rosy story.

Responding to Apple’s [own call](#) for greater supply-chain resilience, the Modi government leveraged domestic market access, production subsidies, and tariff preferences to draw leading Apple contractors—Wistron, Pegatron, and Foxconn—into India. It then steadily induced upstream component makers, service providers, and managerial talent to follow. The result was a rapid “localization” of Apple’s manufacturing footprint.

Once these firms had completed plant construction, workforce training, quality certification, and capacity ramp-up, however, they transferred their local operations—often in their entirety—to domestic champions such as Tata Electronics. In doing so, they handed over mature capacity, established channels, secured orders, managerial systems, and human capital, completing a transition from localization to “Indianization.”

In 2026 Tata Electronics suffered a [major cybersecurity breach](#) that exposed core technical information belonging to both Apple and Tesla. The incident revealed that while Indian conglomerates may well absorb advanced manufacturing capacity, they frequently lack

the required managerial and technological sophistication, resulting in severe commercial damage and lasting losses.

Although the Modi government has proved adept at stacking policy incentives to attract the Apple partners, and although it has skillfully exploited those firms’ dependence on subsidies, regulatory favor, and critical inputs to insert domestic players into controlling positions, the very haste with which “localization” and “Indianization” have been forced constitutes the greatest source of risk. Recent setbacks suffered by foreign—especially Chinese—firms across consumer electronics, green energy, and automotive sectors demonstrate that this pattern is not an isolated misfortune but a systemic consequence of India’s aggressive push for industrial predation.

Apple’s global capacity shift and Indian incentives: The initial influx

Apple’s decision to diversify production provided the initial push. Highly dependent on Apple orders, leading contractors such as Wistron, Pegatron, and Foxconn had little choice but to follow their principal customer’s production footprint if they wished to retain their relevance and preferential supplier status. Under tight deadlines, they were compelled to establish production capacity in India, handing the Modi government a strategic opening to expand domestic assembly capacity and build a localized Apple supply ecosystem.

Complementing this commercial pressure were subsidies designed to lower the initial cost of entry. In 2020 the Modi government [launched](#) the Production Linked Incentive (PLI) scheme for consumer electronics, offering qualified firms—those meeting investment and incremental-sales thresholds—incentives equivalent to 4% to 6% of incremental turnover over five years. Samsung, Foxconn, Wistron, and Pegatron were among the first beneficiaries. Because Apple contract manufacturing operates on thin margins and is highly sensitive to infrastructure, logistics, and labor conditions, the early subsidies improved projected returns enough to offset many of India’s structural shortcomings. Apple’s order commitments and the government’s fiscal support together propelled the first wave of investment and accelerated plant construction.

Policy architecture as leverage: Drawing the upstream suppliers

Once final assembly was established, New Delhi used tariffs and further policy coordination to pull component and equipment suppliers, as well as managerial know-how, into India. The 2017

Phased Manufacturing Program [raised duties](#) on finished handsets and selected parts, increasing the cost of direct importation and compelling firms to increase local content progressively. The 2025 Electronics Component Manufacturing Scheme [extended incentives](#) to display modules, camera modules, printed circuit boards, passive components, and related production equipment, shifting the policy focus from assembly to upstream manufacturing.

Firms that failed to raise local procurement and production shares risked losing subsidies and tariff preferences—and could face a battery of informal pressures ranging from customs delays to labor disputes and regulatory discrimination. To preserve favorable treatment and operational continuity, the Apple partners therefore acquired specialized equipment, trained local workers, brought upstream suppliers into India, and built quality systems. In the process, they created assets—plant, trained personnel, and supply relationships—that could not easily be relocated. India thereby acquired, in a remarkably short period of time, the critical components, production equipment, skilled labor, and supplier networks it previously lacked.

Yet inadequate supporting infrastructure, the time-limited nature of subsidies, and the inherently low margins of contract manufacturing [gradually reduced](#) the room for foreign firms to operate and weakened their bargaining power vis-à-vis Indian authorities at all levels. In India, capacity expansion [consistently outpaced](#) improvements in infrastructure and the local business environment. Contractors therefore found themselves shouldering not only normal operating costs but also the burden of managing worker housing, contract labor, logistics, fire safety, environmental compliance, and local political coordination. Incidents such as the [2021 food poisoning](#) and subsequent [worker protests](#), which halted Foxconn's Sriperumbudur plant, prompting an Apple-mandated remediation period, and the [2024 fire](#) at Tata Electronics' Hosur facility illustrated how readily production could be interrupted, triggering customer audits, delivery shortfalls, and order adjustments.

As subsidies approached their expiration dates, the higher underlying cost structure of Indian operations became fully visible. Firms also faced customer price pressure, order volatility, rising import costs for components, and currency fluctuations. Continuing operations required fresh capital merely to maintain equipment, personnel, and supply chains. Exit, by contrast, entailed steep discounts on existing specialized assets, the loss of trained workers, and the transfer of customer orders. It was against this backdrop of declining returns and difficult asset disposal that Pegatron and Wistron ultimately [chose to reduce](#) their Indian exposure and relinquish control of their plants.

Domestic conglomerates step in: Acquiring ready-made capacity

As foreign operators came under mounting pressure, Indian giants such as Tata Electronics moved to acquire mature facilities—plants for which construction, workforce training, production debugging, and customer qualification had already been completed. In October 2023 Wistron [agreed to sell](#) its entire Indian subsidiary. By January 2024, the Competition Commission of India had cleared [Tata Electronics' acquisition](#). Tata thereby obtained, at a stroke, the factories, equipment, production staff, and management systems that Wistron had painstakingly built, avoiding the heavy upfront costs of land acquisition, construction, recruitment, training, and capacity ramp-up.

In January 2025, the Commission approved Tata's acquisition of a majority stake in Pegatron's Indian operations. Tata acquired a 60% stake and operational control while Pegatron retained a 40% minority stake. Though transaction structures might differ, the direction of asset transfer was identical: foreign firms made the enormous early-stage investments, after which Tata assumed control

once the facilities had reached maturity, inheriting facilities, equipment, personnel, and orders.

The learning curve and construction cycle required for entry into Apple's manufacturing system were thereby dramatically shortened, completing the shift from localization to Indianization. In part II, we will see how unique characteristics of India's governance system challenge foreign firms looking to do business in India for the long term.

The Pilot commentaries and responses represent the views of the respective authors. Alternative viewpoints are always welcomed and encouraged. Please write to rob@pacforum.org for more information on how to contribute.