



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

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 part I, we saw how an initial push for diversification by the Modi government lured Apple partners to India, but high operating costs gradually disincentivized staying in India, allowing Indian firms to buy up their facilities.

The experiences of Wistron, Pegatron, and many other their peers demonstrate that the difficulties facing foreign business in India extend well beyond ordinary cost or market risks. Instead, these difficulties are rooted in the Indian political-economic system and encompass policy unpredictability, operational control, data security, and production reliability. These risks may erode projected returns and disrupt order fulfillment. In more severe cases, they threaten technological security and control over the assets themselves. The greater the capital intensity, the greater the dependence on local approvals, labor, and public services—and the less room foreign corporations have for recovery or strategic adjustment.

First, [highly restrictive legislation](#) combined with selective enforcement, retrospective penalties, and protracted dispute resolution makes compliance costs almost impossible to forecast. Indian regulators retain great discretionary power over tariff classification, import methods, fund utilization, and related-party transactions. Firms that have operated for years under established rules may later face reclassification and back-duty claims. Beyond the direct fiscal impact, such actions disrupt cash management, supplier settlements, import schedules, and future investment planning. The customs demand for roughly \$1.4 billion in [back taxes](#) from Volkswagen India—on the grounds that near-complete vehicles had been imported in disassembled form to obtain lower rates—illustrates the point. Even when firms ultimately prevail in court, the intervening years of capital lock-up, order losses, and elevated financing costs are rarely fully recovered.

Second, multi-tiered governance and administrative discretion severely undermine policy credibility and consistency. Central government incentives rarely translate into stable, predictable operating conditions. Projects must navigate central, state, and local layers: the center controls foreign-investment entry, customs, and industrial policy; states control land, power, taxation, labor, and the environment; and local bodies handle construction permits, fire safety, and day-to-day supervision. Even with central support, firms must secure sequential local clearances. Any delay or change in standards can derail schedules, subsidy disbursements, and cost projections. Officials at every level retain significant discretion over tariff classification, fund use, eligibility, and environmental liability, so previously accepted arrangements can be reopened when political priorities shift.

Third, the gap between rapid capacity expansion and lagging managerial and technical capabilities produces cascading losses. Although manufacturing output has grown swiftly, data governance, cybersecurity, and access-control practices have not kept pace. Production systems store product drawings, process parameters, equipment configurations, quality records, customer specifications, and supplier data across multiple platforms and external interfaces. A single vulnerability can propagate from one factory to brand owners, equipment suppliers, and upstream component makers.

In June 2026 [Tata Electronics confirmed](#) a cyber intrusion that exfiltrated more than 630 GB of data comprising some 204,300 files, portions of which contained Apple supplier specifications and Tesla manufacturing information. The episode demonstrated that the acquisition of mature factories does not automatically confer the ability to meet international customers’ standards for trade-secret protection and system security. Once manufacturing data are compromised, neither production stoppages nor system repairs can erase the damage. Customer investigations, claims, order reductions, and tightened technology-sharing arrangements often follow. When foreign shareholders exit or become minority shareholders, direct oversight of production systems and personnel declines, yet historical technical and customer data frequently remain on-site, leaving residual liabilities that are difficult to eliminate.

Fourth, chronic shortcomings in infrastructure and industrial ecosystems prevent cost optimization. Critical components, specialized equipment, and raw materials remain heavily import-dependent. Congestion at ports, unreliable road transport, unstable power, and uneven local public services directly affect production and delivery. Firms respond by holding larger inventories and

extending lead times, tying up working capital and exposing margins to tariff and exchange-rate fluctuations. Land delivery, power connections, worker housing, fire safety, and environmental services involve multiple state and local actors whose coordination and execution capabilities vary widely. Central subsidies cannot guarantee that complementary public infrastructure will materialize on schedule. Companies can build dormitories, install backup generators, and stockpile parts, but they cannot unilaterally solve port bottlenecks, road inadequacies, power instability, or the absence of capable local suppliers. For large-scale manufacturing, any interruption—power cuts, fires, labor unrest, transport disruptions, or customs delays—can idle entire lines and prompt customers to reallocate orders.

Fifth, the gap between promotional rhetoric and actual factory-floor conditions fosters unrealistic expectations that later undermine operations. Official messaging emphasizes India's vast population and purchasing power, but achievable returns lag far behind the narrative. Income levels, consumption patterns, and regional disparities constrain demand. Price sensitivity forces firms to accept lower margins to build volume. Channel development, warehousing, after-sales service, and local operating costs remain high, so sales growth does not reliably translate into profit.

Moreover, the Indian market is not a single integrated whole but a patchwork of states differing markedly in infrastructure, income, consumption habits, and administrative efficiency. Expanding geographic coverage therefore multiplies distribution, inventory, and service expenditures. Large Apple-related projects sustained by global orders and special incentives are not representative of the typical manufacturing experience, and their expansion can mask the broader reality of limited purchasing power and elevated operating costs.

Official strategy as the greater hazard

The pattern that emerges reflects less administrative incapacity or a generally poor business climate than a deliberate policy architecture that resembles a classic bait-and-switch. Early incentives—market size, customer orders, fiscal subsidies, and tariff preferences—draw firms into building capacity, thereby transferring capital, equipment, technology, and managerial expertise. Once plants are running, workforces are trained, and supplier networks are in place, localization requirements, administrative scrutiny, and constrained exit options raise operating and sunk costs, creating favorable conditions for domestic conglomerates to acquire mature assets on advantageous terms.

The drive for “Indianization” directly subordinates the long-term interests of foreign investors. The [stated goal](#) of “Make in India” is to cultivate domestic manufacturing capability by leveraging external capital, orders, technology, and management experience—an objective that necessarily limits the scope for sustained foreign control and profitability.

Subsidies and tariff preferences attract initial investment and achieve localization. Employment rules, joint-venture preferences, and local-content mandates then transfer plants, equipment, personnel, and suppliers into Indian hands. Once local employees master processes, factories secure customer qualification, and supplier and order relationships stabilize, dependence on the original foreign shareholders declines and conditions become ripe for domestic capital to assume equity and operational control. The transfers of [Wistron and Pegatron facilities](#) to Tata illustrate the policy shift from attracting foreign capacity-building (“localization”) to enabling domestic ownership of that capacity (“Indianization”). Foreign capital is indispensable in the construction phase and expendable once maturity is reached—an unmistakable case of discarding the instrument after it has served its purpose.

Capital-intensive foreign manufacturers are especially vulnerable to this directed transfer of equity and control. Manufacturing assets in India are highly specific, and potential buyers are few. Thus, once a firm comes under pressure, a rapid sale or relocation on its own terms is rarely feasible. Acquirers typically require official approval and must possess financial strength, industry experience, customer acceptance, and government-relations capacity. Eligible buyers are therefore limited. Firms seeking to reduce their presence confront long sale timelines, restricted options, and unfavorable terms.

The earlier case of General Motors' attempt to sell its Talegaon plant to Great Wall Motors—blocked for years by regulatory delays and ultimately terminated, only for Hyundai to acquire it later—shows how approval lags can alter both the buyer and the timing while forcing the seller to continue bearing maintenance, severance, depreciation, and capital-carrying costs.

Disposal of Apple-qualified plants is even more constrained: buyers must satisfy not only government criteria but also stringent quality, delivery, and customer-relationship requirements. After Wistron and Pegatron surrendered control, Tata emerged as one of the few entities simultaneously meeting policy, capital, and customer thresholds—leaving the sellers with little ability to dictate the pace or terms and exposing them to precisely the kind of strategic enclosure the policy framework appears designed to facilitate. The larger the initial investment, the harder it becomes to cut losses; existing assets themselves become instruments that compel further commitment.

The issue facing the Apple partners is therefore not the product of isolated managerial misjudgment. It is the predictable outcome of a composite policy that trades subsidies for capacity, uses that capacity to nurture domestic champions, and ultimately substitutes those champions for the original foreign investors. However, Tata Electronics' data breach serves as a warning even to the architects of this strategy—successful transfer of production assets does not automatically close the gap in managerial and technological capability, and that gap can still drag an entire supply chain into systemic risk.

For foreign firms still contemplating entry into India or with existing commitments there, the lesson is unambiguous. Investment calculations cannot stop at initial subsidies and market size; they must incorporate the full-cycle risks of policy reversal, equity dilution, data security, and the difficulty of orderly asset disposal. As India's manufacturing ambitions extend into green energy, automobiles, biopharmaceuticals, and other sectors, the same sequence may well be replayed.

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