

# China's decade of iPhone manufacturing dominance is about to end?

China's decades-long dominance as Apple's top iPhone production base may come to an end as Indian alternatives ramp up production.

## Diversify production away from China

Bloomberg news agency last week cited data showing that the US technology giant currently produces up to 14% of its flagship devices in India, with iPhone production in India doubling compared to the previous week, with the previous year.



Expert Anirudh Suri, a non-resident fellow at the Carnegie Endowment's New Delhi office, believes that Apple will continue to move its supply chain out of China.

'Moving or diversifying production out of China is a geopolitical imperative for companies like Apple. Shareholders will condemn them if they do not diversify and become entangled in further geopolitical conflicts, because the US-China conflict will not end soon,' said Mr. Anirudh Suri.

Former US President Donald Trump launched a trade war with China as soon as he came to power, which put pressure on Apple's traditional production facilities in the country. Under current President Joe Biden, the US continues to impose more technological restrictions on Chinese companies, creating geopolitical competition with Beijing.

Although Washington has said it does not want to completely separate technology supply chains from China, it has sought to reduce interdependence in sectors such as semiconductors, artificial intelligence and telecommunications. Due to national security concerns, the US has imposed export restrictions and investment limits, while China is accelerating domestic technological advancement.

But geopolitics is not the only factor forcing Apple to turn to other countries. American companies have increased cooperation with companies such as Taiwan's Foxconn, an Original Equipment Manufacturer (OEM), to produce iPhones, Macbooks and other Apple products. Over the past two decades, Apple has cooperated with Foxconn, but the cost of these products has increased in recent years. So profits are another pressure, in addition to geopolitics, that is driving Apple to look for new production locations.

### **India seized the opportunity**

The Indian government was quick to fully exploit the opportunities. According to India's Ministry of Commerce and Industry, New Delhi is offering lucrative schemes to attract companies like Apple, including the Production Linked Incentive Scheme, which is seen as 'a carrot gold' worth 26 billion USD to companies in 14 sectors.

Apple's investments in India have started paying off as exports of its products from the country are on the rise.

India's Press Trust news agency quoted data from data company The Trade Vision as saying: 'Apple's iPhone exports from India almost doubled to \$12.1 billion in 2023-2024 from 6.27 billion USD in the previous fiscal year'.

'India is making efforts to expand its manufacturing base and companies like Apple really want to expand their production network in the country. Political stability, incentives for state-level manufacturing (states like Tamil Nadu have actively attracted companies like Apple) and availability of a skilled workforce add to the appeal. Of course, Apple doesn't want to put all its eggs in one basket, so adding a facility like India is reasonable,' said The Trade Vision.

China accounts for 20% of Apple's sales globally, making it one of the largest markets for Apple products. However, Apple's sales in China are falling as local consumers switch to domestic mobile brands.

Apple reported a 13% year-over-year decline in China sales in the fourth quarter of last year, as revenue in the Greater China region, which includes Hong Kong, Macau and Taiwan, fell to 20.8 billion USD, according to SCMP.

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