

What is China doing to keep Apple's supply chain?

Currently, China is looking for ways to prevent Apple from moving its supply chain to India.

Apple is in the process of diversifying its supply chain from a China-centric model to one that operates from multiple locations. With Apple making significant progress in India, China is becoming increasingly concerned about the potential loss of investment and jobs for its citizens.

The Financial Times recently reported on the difficulties Apple faced in making this change, partly due to the tense political relationship between China and India and partly because the company did not want to offend the Chinese market.

The sensitivity of the relationship between the two countries is reflected in secret discussions between officials in Karnataka and Tamil Nadu, including in private conversations, replacing Apple's name with 'fruit company.' It also shows that China is aware of the threat India poses to its manufacturing dominance and is taking the initiative to address the issue.

In January, it was reported that China was tightening its export controls on key materials and high-tech equipment, the kind of hardware that Apple and its supply chain members use to make components for iPhones and other products.

In addition, the Financial Times also said that this also affects people. The movement of some Chinese technicians into India has also been blocked by China. For Apple's supply chain, these moves make it more difficult to quickly build up production facilities in India to the same level as China.

Picture 1 of What is China doing to keep Apple's supply chain?

An Apple Store.

With materials and equipment restricted, partners like Foxconn will have to find other suppliers that meet Apple's strict standards but are not affected by China's interference.

The interference has not only affected the supply chain, but also hit Apple hard. It includes a 2023 rule that would ban the use of Apple devices by government officials. Then there are the regulatory requirements that would make it difficult for Apple to operate in the country without adhering to strict restrictions.

The company's push to bring AI features to the iPhone has been hampered by regulations, forcing Apple to partner with a Chinese tech giant on the project. On the other hand, the Indian government has done a lot to help Apple set up and operate in India, including providing billions of dollars as part of the Production Linked Incentive program and easing restrictions to allow Apple to open its own exclusive stores in the country.

These incentives were not only aimed at bringing Apple into India but also at luring Apple suppliers to the country. This effort also brought Indian conglomerate Tata into Apple's manufacturing chain, which is now

doing very well.

India is expected to supply more than 20% of global iPhone production by 2025. There are still some barriers in India, such as visa restrictions for Chinese citizens. While Apple's assembly operations in China and Vietnam have a high proportion of women, social pressures also prevent women from doing the same in India.

Indian officials acknowledge that there is still a long way to go to become the large-scale supply base that Apple and other companies need if they want to move away from China. Many companies are also planning to expand into India and other countries, such as Vietnam, to reduce their risks.

After nearly a decade of building an extensive supply chain based in China, Apple has found itself in trouble. During the COVID-19 pandemic, the supply chain was affected by problems at Apple factories. Production lines at the facilities were shut down for extended periods, in part due to China's hardline approach.

As a result, Apple has been forced to expand its supply chain to avoid similar incidents in the future. Another risk factor is geopolitical tensions, including the US-China trade war. Previously, during President Donald Trump's first term, Apple avoided the impact of tariffs on imports into the US.

In a second Trump term, the US could impose high tariffs on imports from China. If Apple maintains its iPhone manufacturing system in China, it would be heavily affected by tariffs when shipping iPhones to US customers.

However, since Apple has focused on improving its manufacturing capacity in India, it will have to figure out a way to mitigate tariffs when importing from China. By building a manufacturing plant in another country, Apple will only have to pay lower taxes.

India has stepped in to address the tariff issue by preparing to cut import duties for Apple and other companies making components and accessories.

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