

Trump hurls curveball at India's trade policy

NEW DELHI

Demand that Apple bypass country and shift to U.S. is seen as a slap in the face

BY ALEX TRAVELLI

Even after President Trump hit it with a 26 percent tariff, India had reason to be hopeful about trade negotiations with the United States.

China was facing even higher import taxes. So were smaller Asian countries like Vietnam and Bangladesh whose exports compete with India's. That positioned India to use the trade war to advance its goal of luring the business that was expected to flee its giant neighbor. Plus, India's prime minister, Narendra Modi, had a cozy relationship with Mr. Trump.

Things are looking tougher for India now, and for its American business partners. Mr. Trump has changed up his tactics with China, backing off his highest tariffs. That wrong-footed India, which now faces tariffs not much lower than China's.

Then he threw a wrench into India's relationship with Apple, the single most striking example of an American company that reoriented its production away from Chinese suppliers.

A few years ago, nearly every iPhone was assembled in China. By the end of this year, an estimated 25 percent or more will be made in India. This month, Mr. Trump revealed that he does not see that as progress: He said Apple's production should skip India and move to the United States instead.

India is working to secure a reduction in the 26 percent tariff, which Mr. Trump paused until early July to give the countries time to talk. Officials in New Delhi are not entirely sure what to make of Mr. Trump's remarks about Apple. But they have complicated an already complex negotiation before the tariff reprieve ends.

Indian officials were in Washington this past week, trying to hash out a deal. Piyush Goyal, the commerce minister, had already hopped back and forth from New Delhi twice since Mr. Trump was re-elected.

On Tuesday, after wrapping up a meeting with his American counterpart, Howard Lutnick, Mr. Goyal posted on social media that he was "expediting the first tranche of India-U.S. Bilateral Trade Agreement."

But there is no certainty about the path for the talks, as recent days have made frustratingly clear in New Delhi.

Before he added Apple to the chaotic dynamic, Mr. Trump conflated India's trade negotiations with its conflict this month with its nuclear-armed neighbor Pakistan. Indian diplomats were frustrated when the American president claimed the credit for brokering a cease-fire and then offered to step into their dangerous dispute over the region of Kashmir.

Then, on May 15, Mr. Trump demanded that Apple stop its yearslong ef-

forts to reduce its reliance on China and make iPhones in India.

"I told Tim Cook: 'We're not interested in you building in India. They can take care of themselves; you up your production'" in the United States, he said, referring to Apple's chief executive.

The demand is a slap in the face for India, a close U.S. partner that for many American companies has been an increasingly viable location to lessen their dependence on China. Ever since the Covid-19 pandemic, global businesses that depend on China have been looking for ways to pare the risk of relying too much on one big country. India assured its American friends that it could take up the slack.

No country can match China for its extensive and efficient factories, and Apple's roots there are deep. So it is a point of pride for many in Indian government and business that Apple has shifted some of its iPhone assembly. The idea that Apple could redirect its manufacturing capacity from China straight to the United States — bypassing India — caused a collective double take.

Apple did not respond to a request to comment.

"Everyone wants manufacturing at home," said Prachir Singh, an analyst in India for Counterpoint Research, which covers technology companies. But that's much easier said than done.

"If you talk about iPhones, there are more than 1,000 components. It took almost a decade for Apple to set up such a supply chain in China," Mr. Singh said. "And it took more than five years to reach some capacity here."

Several factors went into making parts of India competitive with China's manufacturing marvel.

In the southern state of Tamil Nadu, at the heart of Apple's supply chain in India, the local government has helped companies like Foxconn, the Taiwanese giant that has made iPhones in China for years, by building workers' dormitories and providing other China-style infrastructure. India's national government has been subsidizing the manufacture of high-tech goods since 2020.

Labor costs are low across India. Local trade unions in Tamil Nadu estimate that the average monthly salary was equivalent to \$233. Wages even for jobs that require engineering degrees are competitive enough with costs in China.

Finally, companies like Foxconn have helped local businesses upgrade the value chain in India, by building more of the iPhone's components in India. That creates what factory managers call an ecosystem: dense clusters of talent and supply that are starting to give India the kind of industrial edge that China showed more than 20 years ago.

Two people in contact with the Indian trade negotiators, requesting anonymity to discuss sensitive matters, said they did not believe that India was at risk of losing Apple's business. They added that it was unthinkable to them that the United States would be ready to compete with India's advantages in manufacturing.

Instead, they said, it must be a bargaining tactic.



TOM BRENNER FOR THE NEW YORK TIMES

Tim Cook, Apple's chief executive, with Prime Minister Narendra Modi of India. "I told Tim Cook: 'We're not interested in you building in India,'" President Trump has said.