

penalise Pakistan, perhaps by sanctioning individual Pakistani officers, says Ajay Bisaria, a former Indian high commissioner to Pakistan. India could also try to disrupt a \$7bn IMF bail-out to Pakistan.

Still, Pakistan has already factored in America's shift and now looks more to China. The Chinese government has urged restraint from both sides. It may be wary of jeopardising a rapprochement with India following their recent resolution of a four-year stand-off over a disputed border. But that process is already complicated by Mr Trump's trade war. And China has had close defence and economic ties to Pakistan for decades. In a conflict, "which side would China take? That's one question our diplomats should be asking," says A.S. Dulat, a former Indian intelligence chief.

An additional risk today is that long-standing bilateral treaties are in jeopardy. India has suspended a 1960 river-sharing treaty. Pakistan has threatened to bin a 1972 agreement that freezes the disputed border. And Pakistani ministers say any attempt to divert waters flowing into Pakistan would be an "act of war". Some of that is posturing: India cannot greatly divert waters without new infrastructure, which would take years. Diplomatic back channels may ultimately calm the crisis, as in 2019. But probably not before it moves closer to the brink of war. ■

Semiconductors

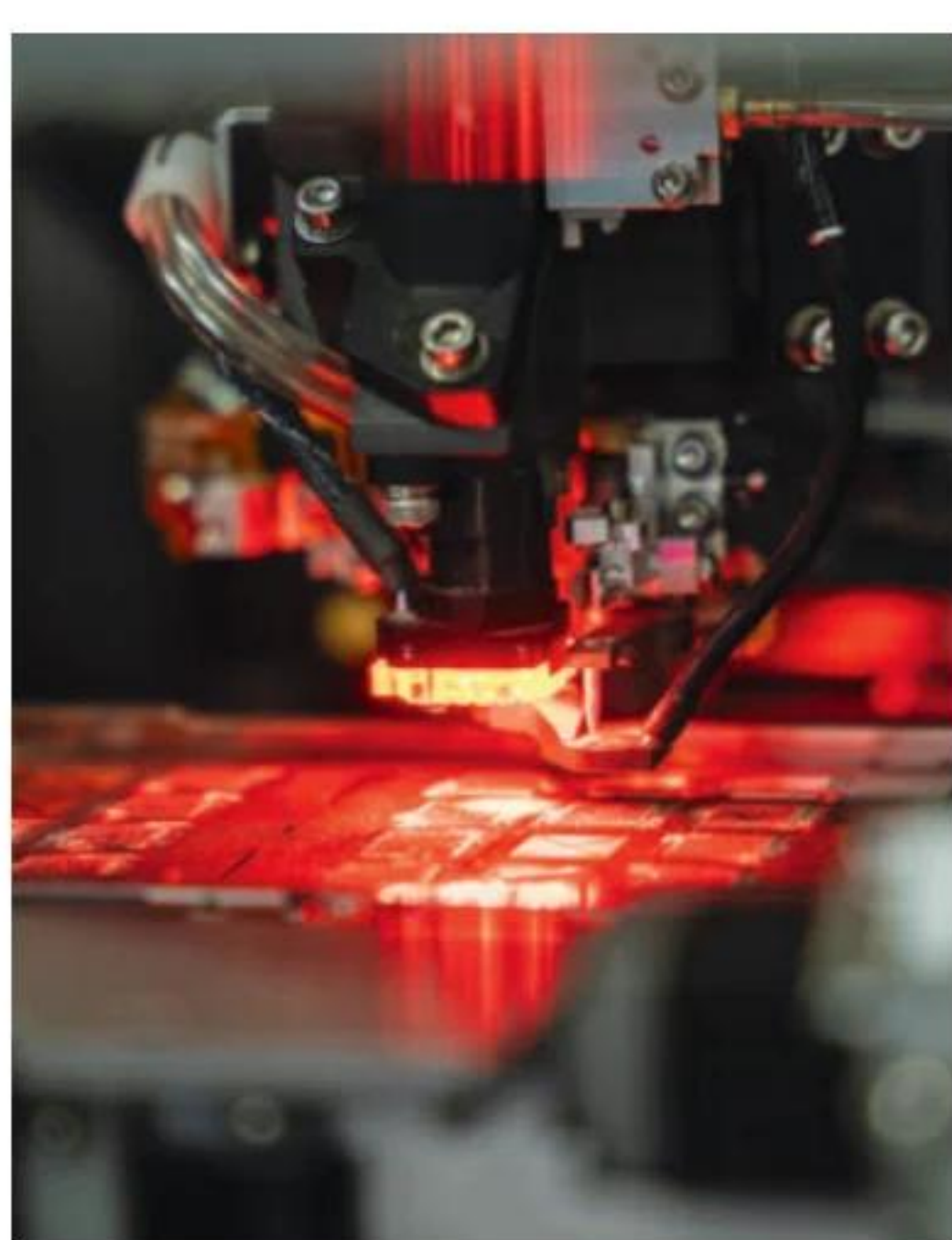
Fab India

DHOLERA, GUJARAT

Can India become a chipmaking superpower?

PART-HIDDEN by hoardings and overshadowed by cranes, the buildings that will host India's first commercial chip factory are slowly taking shape. The \$11bn project is a partnership between Tata Group, one of India's biggest conglomerates, and Powerchip, a Taiwanese manufacturer of semiconductors. The site they have chosen is in Gujarat, home state of Narendra Modi, the prime minister. Local politicians insist the factory—one of the first tenants of a mostly vacant industrial park two and a half hours south of the state capital—will eventually sit surrounded by suppliers and competitors; the plan, they promise, is to raise a "Semiconductor City" from the dirt. At a nearby visitor centre, an audio-visual show and a model town the size of a tennis court ram home that point.

Tata's chip factory (or "fab") is perhaps the most eye-catching result of an effort to promote Indian chipmaking that got under way in late 2021, when the central govern-



Light manufacturing

ment announced \$10bn of incentives for investors. Like many other countries, India was alarmed by chip shortages that came in the wake of covid-19, which it saw as a threat to its national and economic security. It is keen, in particular, to cut its reliance on cheap chips from China, with which relations are often fraught.

Yet politicians also want Indian firms to cash in on the semiconductor industry, the total global sales of which could almost double in value to about \$1trn by 2030. And they think locally made chips will help boost Indian manufacturing. Apple already makes about one-fifth of its iPhones in India; it is said to be hoping that all the phones it sells in America will come from Indian factories by the end of 2026.

So far five big projects have got the green light. Most of these are facilities for "assembly, testing and packaging" of semiconductors: an end-stage of the manufacturing process that involves separating chips that have been printed elsewhere and wrapping them in a protective shell. That is far from the most lucrative part of the industry, but it is less technical and more labour-intensive than other bits of chip production, which makes it a good place for India to start. Other countries seeking to grab a foothold in this market include Malaysia, the Philippines and Vietnam. India's first packaged chips could be ready by the end of this year.

Producing chips from scratch is a much sexier business, but also a far trickier one. For the moment Tata's factory (which sits in a "special investment region", called Dholera) is the only one of the new projects that will attempt to do that. It will not be minting cutting-edge semiconductors of the kind that stream from fabs in Taiwan. Yet the workhorse products it produces will nonetheless find plenty of uses, such as in vehicles, white goods and entry-