U.S.-China Trade War Could Benefit India

BENGALURU, India — Global electronics contract manufacturers are planning to invest around $1 billion over the next five years to expand their production facilities in India.

Taiwan-based Wistron and Foxconn have applied to the government to invest around $700 million and $350 million, respectively. This comes under an incentive package that can give these companies benefits of $140 million and $70 million respectively, according to a report in the Economic Times. Wistron is likely to begin manufacturing iPhone 8 in the country while Foxconn plans to support higher levels of manufacturing for existing clients such as Xiaomi and Nokia phones.

And, these are just big ticket investments. There are several, particularly in the mobile space right from Samsung and Xiaomi to smaller and lesser known brands which have started on the investment road to manufacturing.

Interestingly, there are currently 240 companies in India which are making electronic products and about half of them (127 companies) are manufacturing mobile phones with Noida and Greater Noida in northern India emerging as a mobile phone manufacturing hub, having 57 factories alone.

According to a recent UN Conference on Trade and Development (UNCTAD) report, India will emerge as one of the largest beneficiaries of the trade war between the US and China, with a potential increase in exports up to $10 billion or 3.5% of its exports.

And when exports are likely to go up, manufacturing has to step up to keep in tune with the exports momentum.

The central government has given a nod to as many as 193 of the 421 applications received under the modified incentive package scheme (M-SIPS), of which 144 have started making investments totalling $1.32 billion. The scheme provides a capital subsidy of up to 25% for units engaged in electronic manufacturing and reimburses countervailing duties/excise duty to attract investments.

Wistron may shift some of its PC, Internet of Things (IoT), medical and cloud service businesses to India, according to the report. Currently, it has two plants near Bengaluru that assemble Apple’s iPhone SE and iPhone 6S devices for sale in India.

Apple, on the other hand, has said it will begin assembling its top-end iPhones in India through the Indian local unit of Foxconn in 2019, according to a Reuters report in the last week of December.

This would be the first time this Taiwanese contract manufacturer would be making the product in the country.

Importantly, Foxconn will be assembling the most expensive models, such as devices in the flagship iPhone X family, the report said, potentially taking Apple’s business in India to a new level.

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