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Interdependence and its Discontents

A Book Review of 'Apple in China: The Capture of the World's Greatest Company' by Patrick McGee.

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China's economic rise is associated with the growth of its manufacturing might, especially its electronics manufacturing industry. Over the years, the Chinese electronics industry has expanded in its breadth and depth, and has become a vertically-integrated value chain. The high degree of vertical integration has led the industry to become a significant contributor to China's GDP and exports. Before Chinese companies started gaining a share in the global market for their own consumer electronics products, the industry largely developed by providing contract manufacturing services to global brands. Apple is one of the first brands that took advantage of the willingness of Chinese entrepreneurs to learn before they scale.

Patrick McGee's *Apple in China* details how Apple, a consumer favourite for innovation in electronics, gradually integrated its production processes in a country that has risen to rival the US. Throughout the book, McGee details how China became an essential location for Apple. This was because Chinese suppliers and contract manufacturers had the capability to mass-produce every innovation that Apple had previously considered impossible to scale. It also highlights the crucial role of Foxconn, the Taiwanese contract manufacturing giant, in expanding the supplier and sub-contracting network in China as it slowly moved operations to the country for cost efficiency.

However, the book largely emphasises Apple's role in enabling the growth of the Chinese electronics manufacturing industry from scratch. This also led to Apple's supply chains becoming more deeply integrated within China, consequently heightening the company's dependence on the country. As geopolitics took a sharp turn following the ascents of Xi Jinping and Donald Trump, the company now finds itself in a difficult situation where staying in China is proving to be increasingly difficult, but decoupling seems impossible.

While the iPhone was "*Not Really 'Made in China*'", as a Wall Street Journal article said, Apple's contributions and investments in the country were focused on machinery and processes. So, the expensive parts that were typically sourced from South Korea, Japan and the United States were turned into useful components by Chinese companies.

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A common misconception that came from looking at the share of Chinese suppliers in Apple's wholesale prices failed to capture their significance to the company. Although one study estimated that the labour of Chinese workers accounted for only 3.6% of an iPhone's $179 wholesale cost, this low percentage did not diminish the significance of China-based factories. This is because the calculation only considers final assembly wages and leaves out component production. Besides that, the modest proportion of Chinese wages in the total cost of an iPhone contributed to Apple achieving a lower cost per unit.

McGee highlights the paradox of suppliers like Foxconn continuing to work with Apple despite their profit margins being squeezed after every deal. For instance, he mentions that, "In 2000, the first year Foxconn performed major operations for Apple, it had reported net margins of 10.6%. As it got more work with Apple, revenues soared while margins plummeted — to 4.6 percent in 2007 and then to 2.4% in 2011. So while Foxconn revenues more than doubled — from $53 billion in 2007 to $107 billion in 2011 — profits merely inched up from $2.41 billion to $2.53 billion." On the other hand, working with Apple helped them in developing manufacturing capabilities, which allowed them to charge a premium to other clients seeking a greater share in the consumer electronics market.

The book also illustrates the company's learning curve in navigating political and cultural issues specific to the country, showing that it was not a walk in the park for Apple in China. From establishing a store to negotiating with local officials for incentives, the company grew more politically savvy and sensitive to Chinese culture and the demands of the CCP. It captures Apple's increasing sensitivity towards China, going from highlighting the Dalai Lama in its 'Think Different' campaign to being cautious about any content that portrays China in a poor light on Apple TV.

While the book comprehensively details Apple's decisions that drew it closer to China, and Apple executives' experiences of working with Chinese suppliers, it barely provides insights into Chinese policies. It includes vivid accounts of how individuals shaped and contributed to the company's decision-making processes (some of which may read as excessive detours). There are only scattered details about the local environment for conducting business in China, as perhaps could be drawn from Apple's experience of managing its stores and the massive consumer demand for its products. Some of it is contextualised in Foxconn's strategies to negotiate and extract favours from provincial governments that compete to meet their export commitments, but goes no further.

Subsequently the book focuses on the more contemporary aspects of doing business in China – the tryst with Beijing arm-twisting the corporation as China's importance in its supply chain grew. Apple's 'red supply chain' came to include Chinese suppliers like BYD Electronic, Luxshare, Goetrek, and Wingtech gradually replacing Taiwanese giants like Foxconn. By 2023, "151 of Apple's 200 major suppliers, including foreign and Chinese ones, have a manufacturing presence in China."

Gradually, Apple's sales in China also came to represent a significant share in the company's balance sheet. But as homegrown competitors in China grew, Apple's commanding heights in the Chinese smartphone market were threatened. Around the same time as its sales started declining, explains McGee, "China's state administration of press, publication, radio, film and television

suddenly shut down the iTunes and iBooks stores, which had only been launched half a year earlier. The regulator now said Apple would need a joint venture partner to run the services."

Officials in Beijing increasingly saw Apple as an exploitative company that was making profits off of Chinese companies and labour but investing very little in the country, especially as the company had managed to survive without a joint venture so far. This is one of the few instances elaborated in the book where Beijing tries to use its leverage to get Apple to invest more in the country, in a time where Trump was campaigning with slogans of 'America First' and 'Make America Great Again'. The author also lays out Apple's plan to diversify from China, as a response to growing rivalry between the US and China, and the challenges that it will face from Beijing going ahead.

As the author explains while discussing the company's plans of moving assembly operations to India, "It's clear Apple is slowly inching away, but they have to walk a fine line. They don't want to run away—but they can't crawl. They have to walk at just the right pace. If they move too quickly, China will get mad at them. And if they move too slowly, they'll get stuck."

Although the book greatly captures the experiences of Apple's executives in China, it leaves more to be desired in terms of perspectives from the Chinese workers, officials, and interlocutors of Apple and Foxconn. It also merges insights on the economics of innovation with the growing necessity for corporations to comprehend both local and global politics before making decisions that may prove irreversible. Consequently, this makes the book a good guide for companies to prudently anticipate a future that might be increasingly characterized by governments' use of geoeconomic tools.

'Apple in China: The Capture of the World's Greatest Company' by Patrick McGee, Simon & Schuster, 2025, Pages 437. ₹2,719 (Hardcover).