



Delhi Policy Group

Advancing India's Rise as a Leading Power



ECONOMIC SECURITY AND RESILIENCE REVIEW AUGUST 2023

Author

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Cover Image:

Group photo of the Trade Ministers' Session at the B20 Summit India on August 25, 2023. Source: [B20 Summit India](#)

United States Trade Representative Katherine Tai met with India's Minister of Commerce and Industry, Piyush Goyal on August 26, 2023. Source: Twitter ([@PiyushGoyal](#))

Premier Li Qiang of the State Council met with U.S. Secretary of Commerce Gina M. Raimondo at the Great Hall of the People in China on August 23, 2023. Source: [Embassy of the People's Republic of China in the Republic of India](#)

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Economic Security and Resilience Review

by

V. S. Seshadri

Introduction

This issue of ESRR highlights the introduction of import licensing by India for the import of laptops, personal computers and related items effective from November 1, 2023. Their imports into India in recent years have been principally from China, Hong Kong and Singapore. A possible consequence of the new measure is that the PLI scheme 2.0 for domestic manufacturing of these devices, for which August 30, 2023 was the last date, has now attracted 32 applications, including from several leading global manufacturers.

PM Modi made the pitch for India as a solution provider for efficient and trusted global chains in his speech to the B-20 summit of business leaders on August 27. Moreover, GVCs attracted considerable focus at the G20 Trade Ministers meeting held in Jaipur on August 24-25, 2023. Among the initiatives adopted by the meeting was one towards developing a generic mapping framework for GVCs.

This ESRR issue further outlines the separate bilateral meetings held between India's Commerce and Industry Minister Goyal and the UK's Trade Secretary Badenoch, USTR Tai and the EU Commission Vice President Dombrovskis during their visits to India for the G20 trade ministers meeting. The negotiations on the India-UK FTA appear to have reached the final stages, with another round scheduled for September.

The visit of US Commerce Secretary Gina Raimondo to China from August 27-30 marked another important move towards restoring normalcy to their trade and commercial relations. Meetings held during the visit indicated the adoption of a constructive tone by both sides, with calls for stability and predictability, even as red lines were spelt out. What has been agreed are further dialogues and information exchange mechanisms. This came even as on August 9, 2023 US President Biden signed an executive order aimed at regulating US investments into China (also Hong Kong and Macau) in select areas of high technology - semiconductors and microprocessors, quantum information technologies and certain artificial intelligence systems - that posed a threat to the national security of the United States.

Finally, this issue covers the initiative taken by the BRICS summit held in South Africa from August 24-25 on promoting use of local currencies in bilateral trade and other transactions.

India places laptops and personal computers on 'Restricted' list

The Government of India introduced on August 3, 2023 import licensing requirements for seven specific items including laptops, tablets, all-in-one personal computers and ultra small factor computers and servers falling under HS 8471. A few exceptions were however provided, such as those devices brought in as personal baggage or those imported for research purposes. While the new measure was initially intended to take effect immediately, following representations from the industry, it was decided that the measure will come into force from November 1, 2023.

To criticisms about the measure being a return to license raj, the Minister of State for Electronics and Information Technology, Rajeev Chandrasekhar, clarified that it was the government's objective to ensure that trusted and verifiable hardware and systems reached the Indian technology ecosystem. He added that it was also intended to reduce import dependence and increase domestic manufacturing of this category of products. The DGFT notification introducing the measure did not in itself indicate the reasons for the new measure.

China (58.25%), Singapore (16%), Hong Kong (9.2%) and Taiwan (3.1%) comprised the four largest sources of import into India of these items, in all accounting for around 87% of the US\$ 8.8 bn imports of these items in 2022-23. Similar percentages were also recorded in 2021-22 when total imports of these items into India added up to US\$ 10.4 bn.

What is of interest to note is that while as of August 4 only two companies, Dell and Bhagwati, had applied for domestically manufacturing these IT hardware items under the government's revised PLI scheme 2.0 for which August 30 was the last date, this number rapidly increased to 32 companies after the introduction of the import licensing measure and before the last date. The applicants include major global manufacturers such as Dell, Hewlett Packard, Foxconn (via a subsidiary), Asus, Acer, Lenovo and Flex. Twenty five of the applications received were from local companies.

PM Modi pitches for India as a solution provider on current supply chain strains at the B-20 summit

In his address to the B-20 Summit of business leaders of G20 countries on August 27, 2023, Prime Minister Modi focused on several economic security related issues. On the challenges being faced by the world on critical materials, rare earths and several other metals, he said these were in abundance in certain places and not there in others but were needed by the entire human race. He issued a serious warning that whoever has these materials, if it was not viewed as a global responsibility, it will promote a new model of colonialism. Urging the need for balance between the interests of consumers and producers, even across nations, he said that treating other countries only as a market will not work, and will harm producing countries sooner or later. He also urged businesses to be more consumer centric.

On global supply chains, PM Modi said that they broke precisely when the world needed them to work the most. He pointed out that when the world needed vaccines for COVID-19, India increased vaccine production and saved the lives of millions of people. At a time when the world is currently grappling with the supply chain question, India, which holds a crucial position in building an efficient and trusted global chain, is the solution to the problem.

On the challenges posed by cryptocurrencies, PM Modi called for joint efforts for building a global framework. Similarly, he said that the global business community and governments needed to collaborate to ensure the expansion of ethical AI (Artificial Intelligence).

Supply chain vulnerability also received considerable focus in the speech of External Affairs Minister Dr. S. Jaishankar during the session on the role of the global South in the Emerging World 2.0 at the B-20 meeting. He termed the compulsion to create more reliable and resilient supply chains as a pressing need, and also pointed to anxieties regarding trust and transparency in the digital domain.

Global value chains (GVCs) also receive focus at the G20 Trade Ministers meeting

The Trade Ministers of G20 countries met in Jaipur on August 24-25, 2023 chaired by India's Commerce and Industry Minister Piyush Goyal. In his inaugural address to the meeting, PM Modi inter alia stressed the need to build resilient and inclusive value chains that can withstand future shocks and ensure a higher level of participation of MSMEs in global trade. GVCs were also extensively covered in the outcome document, with stress being laid on GVC

growth and GVCs working for sustainable and inclusive development. Consensus also emerged on developing a generic mapping framework for GVCs that can help members identify opportunities for building resilience. A non-exhaustive set of indicators and principles for collaboration for such a framework were also outlined in an Annex to the outcome document.

Four other initiatives on which there was consensus at the meeting were a) Adoption of ten broad high level principles on digitalisation of trade documents; b) Jaipur call for action on enhancing access to information for MSMEs; c) Development of a compendium of best practices on MRAs for professional services; and d) Initiation of a G20 standards dialogue in 2023.

Commerce Minister Goyal meets USTR Tai

Minister for Commerce and Industry Piyush Goyal met with USTR Katherine Tai on August 26, 2023 in New Delhi. They discussed the seventh outstanding WTO trade dispute regarding poultry imports from the US. It will be recalled that an agreement to settle six outstanding bilateral trade disputes was reached during PM Modi's state visit to the US in June this year, and the leaders had tasked their respective officials with continuing discussions in order to reach a solution on the seventh dispute. USTR Tai also reportedly raised the issue of India's import licensing requirements for laptops and other items. She noted that the stakeholders needed an opportunity to review and provide inputs to ensure that the policy, if implemented, did not have an impact on exports to India. Minister Goyal and USTR Tai agreed to explore this issue further and find a solution that addressed both countries' concerns. They also looked forward to reconvening the India-US Trade Policy Forum later this year.

EU Commission Vice President Dombrovskis and CIM Goyal hold third high level dialogue

The third high level dialogue between India and the EU was held in New Delhi on August 26, 2023. During the meeting, CIM Piyush Goyal and the Executive Vice President of the European Commission, Valdis Dombrovskis, took stock of the three ongoing negotiations between India and the EU: the India-EU FTA, the stand-alone Investment Protection Agreement and a Geographical Indications agreement. They acknowledged both sides had made good progress. Dombrovskis was also reported as saying that there was a clear political willingness on both sides to change gear and make faster progress. He further underlined that it was important to see good progress in terms of investment protection to attract greater European investment into India.

Twelfth round of India-UK FTA negotiations

Another round of the India-UK FTA negotiations was held from August 8-31, 2023. The UK Secretary of State for Business and Trade, Kemi Badenoch, who travelled to India for the G20 Trade ministers meeting in Jaipur, also met CIM Piyush Goyal to take stock of the negotiations, which are to be continued in September. In remarks to the Press, Trade Secretary Badenoch indicated that the two sides were actively discussing aspects related to the bilateral investment treaty and local business mobility issues.

Thailand to host the fifth round of IPEF negotiations

Thailand will host the fifth round of IPEF negotiations from September 10-16, 2023, and intends to highlight the significance of capacity building and technical cooperation. Thailand will also focus on advancing new technological cooperation, particularly in relation to clean energy, including in areas such as electric vehicles, sustainable aviation fuel, circular economy and the carbon market.

US moves to regulate outward investments to China

An executive order issued on August 9, 2023 by US President Joseph Biden seeks to regulate US investments into China (including Hong Kong and Macau) in specified areas of high technology – semiconductors and microprocessors, quantum information technologies and certain artificial intelligence systems – that pose ‘unusual and extraordinary’ threat to the national security of the United States.

The objective of the order, coming on top of existing US export controls on certain technology products to China as well as the closer scrutiny in place on investments from China into the US, was to prevent US capital and expertise from accelerating the development of sensitive technologies and products in countries that develop them to counter US national security interests. It was further noted that the order is a ‘narrowly targeted action’ that seeks to maintain US ‘longstanding commitment to open investment’.

The order itself does not directly mandate any prohibitions, but directs the Secretary of the Treasury, after holding consultations, to issue regulations implementing the programme that a) prohibits US persons from undertaking transactions involving certain technologies and products that pose an acute national security threat to the US; and b) requires US persons to notify the Treasury Department of transactions involving other technologies and

products that may contribute to threats to US national security. The regulations are expected to be issued later in the year.

US Commerce Secretary Raimondo's visit to China establishes mechanisms for holding more regular dialogue

US Commerce Secretary Gina Raimondo was the third US Secretary to visit Beijing this year, with her visit from August 27-30, following earlier visits by the US Secretary of State Blinken and Treasury Secretary Yellen. She is also the first US Commerce Secretary to travel to China in five years. Raimondo held extensive discussions with the Chinese Foreign Trade Minister Wang Wentao on August 28, and also called on Prime Minister Li Qiang and Vice Premier He Lifeng on August 29.

Minister Wang is said to have conveyed to her China's concerns over US tariffs, semiconductor policies, investment restrictions, discriminatory subsidies and sanctions targeting Chinese companies. He was also quoted as saying 'Over generalisation of national security is not conducive to normal trade and economic exchanges'. However, he indicated willingness to work with Raimondo to foster a more favorable policy environment and inject stronger impetus into world economic recovery.

Secretary Raimondo, in her several meetings, reportedly underscored the importance of levelling the playing field for US workers and businesses and ensuring the fair and transparent treatment of US companies in China. She also raised concerns about China's subsidisation of its industry and its 'underdeveloped' intellectual property protections. At the same time, she emphasised the importance of ensuring open lines of communication between the two sides, even as she held firm that on matters of national security there was no room to compromise or negotiate.

It was noteworthy that while Raimondo said '99% of US trade with China was not related to goods subject to export controls', Wang said that most of US-China trade was of a 'benign' category and should be allowed to continue unhindered. While Raimondo's discussions in China did not result in the immediate resolution of any issue, the tone of the discussions appeared more constructive and the two sides agreed to set up the following dialogue channels for further discussions:

- A new working group on commercial issues that will meet twice annually at the Vice Minister level. The US will host the first meeting in early 2024;

- Holding enforcement information exchange on export controls to reduce misunderstanding of US national security policies. The first such meeting at Assistant Secretary level took place in Beijing on August 29, 2023 itself (the US side clarified that this exchange mechanism was only intended to increase transparency, and not for negotiating policy);
- Convening subject matter experts from both sides to hold technical discussions regarding the strengthening of protection of trade secrets and confidential business information during administrative licensing proceedings; and
- Communicating regularly at the Secretary and Minister level about commercial and economic issues, and meeting in-person at least once annually.

BRICS summit in South Africa emphasises use of local Currencies

The fifteenth summit meeting of BRICS countries held in Sandton in South Africa from August 22-24, 2023, which was attended by PM Modi, adopted the Johannesburg II Declaration that inter alia stressed the importance of encouraging the use of local currencies in international trade and financial transactions between the BRICS countries and their trading partners. It also encouraged strengthening of correspondent banking networks between the BRICS countries and enabling settlements in local currencies. The summit specifically tasked the Finance Ministers and/or Central Bank Governors, as appropriate, to consider the issue of local currencies, payment instruments and platforms, and to report back to the leaders by the next summit.



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