



Delhi Policy Group

Advancing India's Rise as a Leading Power



ECONOMIC SECURITY AND RESILIENCE REVIEW

AUGUST 2025

Author

V.S. Seshadri

Volume III, Issue 8



Delhi Policy Group

Core 5A, 1st Floor, India Habitat Centre, Lodhi Road, New Delhi- 110003

www.delhipolicygroup.org



Delhi Policy Group

Advancing India's Rise as a Leading Power

Economic Security and Resilience Review

Vol. III, Issue 8

August 2025

ABOUT US

Founded in 1994, the Delhi Policy Group (DPG) is among India's oldest think tanks with its primary focus on strategic and international issues of critical national interest. DPG is a non-partisan institution and is independently funded by a non-profit Trust. Over past decades, DPG has established itself in both domestic and international circles and is widely recognised today among the top security think tanks of India and of Asia's major powers.

Since 2016, in keeping with India's increasing global profile, DPG has expanded its focus areas to include India's regional and global role and its policies in the Indo-Pacific. In a realist environment, DPG remains mindful of the need to align India's ambitions with matching strategies and capabilities, from diplomatic initiatives to security policy and military modernisation.

At a time of disruptive change in the global order, DPG aims to deliver research based, relevant, reliable and realist policy perspectives to an actively engaged public, both at home and abroad. DPG is deeply committed to the growth of India's national power and purpose, the security and prosperity of the people of India and India's contributions to the global public good. We remain firmly anchored within these foundational principles which have defined DPG since its inception.

Author

Dr. V.S. Seshadri, I.F.S (Retd.), Senior Fellow for Economic Security, Delhi Policy Group

The views expressed in this publication are those of the author and should not be attributed to the Delhi Policy Group as an Institution.

Cover Images:

Indian Prime Minister Narendra Modi meeting Japanese Prime Minister, Shigeru Ishiba for the 15th India-Japan Annual Summit, in Tokyo, on August 29, 2025. Source: [Prime Minister of India](#)

Indian Prime Minister Narendra Modi meeting President of Russia, Vladimir Putin on the sidelines of the SCO Summit in Tianjin, on September 1, 2025. Source: [Prime Minister of India](#)

Indian Prime Minister Narendra Modi meets China's President Xi Jinping at the SCO Summit in Tianjin on August 31, 2025. Source: [Prime Minister of India](#)

© 2025 by the Delhi Policy Group

Delhi Policy Group

Core 5A, 1st Floor,

India Habitat Centre,

Lodhi Road, New Delhi- 110003.

www.delhipolicygroup.org

Economic Security and Resilience Review

Vol. III, Issue 8

August 2025

Contents

Introduction	1
PM Modi's Independence Day speech emphasises Aatmanirbharta	2
Two high level committees set up to usher in next-gen reforms	3
Economic Security figures prominently in Modi-Ishiba summit meeting	3
PM Modi's meeting with Chinese President Xi Jinping in Tianjin	4
PM's meeting with Russian President Putin	5
Tenth meeting of India-ASEAN AITIGA	6
Eleventh Round of India-Australia CECA negotiations	7
US imposes 25% additional duty on imports from India	7
USTR Greer talks of remaking the global trading order	7
US and EU reach agreement on a framework for trade	8
US Appeals court rules against Trump's tariffs	10
US chip sale resumption to China runs into controversy	11
US government takes a stake in Intel	11
Trump threatens countries imposing taxes on US Tech companies	12

Economic Security and Resilience Review

by
V. S. Seshadri

Introduction

The imperative need to further strengthen India's self-reliance and boost national competitiveness through next generation reforms became a prominent theme in the national discourse during the month, in the backdrop of the Trump administration's decision to impose 50% tariffs on imports from India. This was also manifest in PM Narendra Modi's address to the nation on India's independence day, even as he made no mention about the tariffs. This issue highlights some of the key announcements in his address that emphasised the importance of *aatmanirbharta* and reducing external dependence. Following his speech, the government has also established two high level committees to come up with actionable ideas for next-gen reforms.

Also highlighted in this issue is PM Modi's visit to Japan from August 29-30, which resulted in several key outcomes that could help strengthen India's economic security and resilience. Similarly, PM Modi's visit to Tianjin in China for the SCO summit and his meeting with President Xi Jinping on the sidelines on August 31 could be heralding some improvement in bilateral trade and economic ties. This assessment gets strengthened considering the outcomes from the separate meetings that took place in New Delhi earlier in the month between the visiting Chinese FM Wang Yi with External Affairs Minister Dr. S. Jaishankar and the National Security Adviser Ajit Doval.

Furthermore, the meeting between PM Modi and President Putin of Russia in Tianjin on September 1 saw the two leaders expressing satisfaction with the sustained growth in bilateral ties in the economic, financial and energy sectors. EAM Jaishankar's visit to Russia from August 19-21, 2025 to co-chair the India-Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC) also yielded promises of removal of tariff and non-tariff barriers that may help promote India's exports of goods to Russia and help bridge the massive trade deficit.

While an earlier scheduled visit of a USTR team from August 25 onwards to continue negotiations on the India-US BTA did not take place, India's trade negotiations with other partners continued apace. The tenth round of the review talks on the India-ASEAN FTA in goods was held in New Delhi from August 10-14, 2025. Further, the eleventh round of negotiations relating to the India-Australia Comprehensive Economic Cooperation Agreement (that will be a top-up of the existing India-

Australia ECTA) was held in New Delhi from August 18-23, 2025. It was also announced that Commerce Secretary Sunil Barthwal will visit Brussels early in September with a view to advancing discussions ahead of the 13th round of India-EU FTA talks starting September 8.

This issue also flags a few key elements from an op-ed written by the US Trade Representative Jamieson Greer on why the US is remaking the world trading order, which now emphasises 'rebalancing' as against existing WTO principles. Also of particular interest are elements comprising the US-EU framework for a trade agreement that was released during the month, sketching out in greater detail the nature of the 'political agreement' reached earlier at the summit meeting between US President Donald Trump and the EU Commission President Ursula Von der Layen on July 27 this year.

Other developments covered include the imposition of an additional 25% tariff by the US on India on account of Russian oil purchases, ruling by the Federal Appeals court in the US that President Trump does not have the constitutional powers to impose tariffs, issues confronting the sale of some AI semiconductor chips by US companies to China, and the 10% equity stake taken by the US government in the technology company Intel.

PM Modi's Independence Day speech emphasises Aatmanirbharta

PM Narendra Modi highlighted the importance of becoming self-reliant and reducing external dependence during his Independence Day address to the nation on August 15, 2025. In this regard, he also made the following announcements that are of particular relevance towards strengthening India's economic security:

- India will roll out its first Made-in-India semiconductor chip by 2025 and is opening the nuclear sector to private players, creating unprecedented opportunities in energy and technology. India's nuclear power generation capacity will increase tenfold by 2047, with 10 new nuclear reactors underway, ensuring energy security and sustainable growth.
- Through the National Critical Minerals Mission, the country is exploring 1,200 sites to ensure access to minerals essential for energy, industry, and defence. PM Modi emphasised that controlling these minerals strengthens India's strategic autonomy, keeping its industrial and defence sectors truly self-reliant. Complementing this, the National Deepwater Exploration Mission will harness India's offshore energy resources, reducing dependence on foreign fuel imports and boosting energy self-reliance.
- PM Modi urged the nation to achieve self-reliance in medicines and innovation, highlighting India's strength as the "pharmacy of the world". He emphasised

India's growing prowess in domestic pharmaceutical innovation and the urgent need to develop new medicines, vaccines, and life-saving treatments entirely within India. Drawing inspiration from India's COVID-19 response, where indigenous vaccines and platforms like CoWin saved millions of lives globally, he called on the nation to expand this spirit of innovation.

- PM Modi also underscored the need for next-generation reforms and announced the formation of a task force for this purpose.

Two high level committees set up to usher in next-gen reforms

The government has, following PM Modi's independence day speech, set up¹ two high level committees of secretaries, technocrats and economists headed by full time NITI Aayog member and former Cabinet Secretary Rajiv Gauba. One of these committees will be on implementation of Viksit Bharat goals and will monitor and provide strategic guidance on programmes like Aatmanirbhar Bharat, infrastructure projects and economic initiatives to attract investments.

The second committee will be on non-financial sector regulatory reforms that will focus on measures to reduce the overall compliances that are a burden on citizens and companies, including registration of entities with direct and indirect tax authorities and steps to simplify administrative procedures and forms. The panel has also been asked to look closely at the regulatory and compliance requirements under the Companies Act of 2013. These will include requirements of MSMEs, existing compliance on foreign trade, examining approvals under the environment protection and water pollution legislation and possible avenues for self-certification and third party inspection.

Both the committees have been granted a year to complete their mandate, but are required to submit monthly reports to the Department of Economic Affairs.

Economic Security figures prominently in Modi-Ishiba summit meeting

Economic Security figured as a key theme in the fifteenth India-Japan summit held in Tokyo on August 29. The joint statement issued² at the conclusion of the visit set out a joint vision for bilateral cooperation for the next ten years under eight pillars which included next generation economic partnership, economic security, mobility, environment and technology and innovation. The bilateral economic partnership goals envisioned included a target of 10 trillion yen (approx. USD 67 bn) of fresh Japanese investment in India, and accelerating the review of the India-Japan

¹ https://www.business-standard.com/economy/news/gen-next-economic-reforms-big-ticket-projects-slashed-compliances-125082900019_1.html

² https://www.mea.gov.in/bilateral-documents.htm?dtl/40062/15th_IndiaJapan_Annual_Summit_Joint_Statement_Partnership_for_Security_and_Prosperty_of_our_Next_Generation_August_29_2025

Comprehensive Economic Partnership Agreement (CEPA). With 21 agreements signed on a range of areas, some observers see this as signalling a significant deepening in bilateral ties in the context of current geopolitical challenges.

On economic security, the summit recognised its importance as emerging from a 'growing convergence in our strategic outlook and economic imperatives'. A detailed fact sheet³ of ongoing and planned elements of collaboration was also issued that spanned six areas- semiconductors, critical minerals, ICT, clean energy, scientific cooperation and pharmaceuticals. The two PMs appreciated the launch of the Dialogue on Economic Security, including Strategic Trade and Technology in November 2024. They tasked their Foreign Ministries to accelerate policy level exchanges on economic security with a view to identifying concrete outcomes and projects in strategic sectors, in tandem with industry and academia. In this context, both sides also consented to work towards further protecting high technology trade while mutually easing export control challenges. Also welcomed were initiatives to promote business-to-business cooperation in the field of economic security to encourage Indian and Japanese companies towards supply chain diversification and resilience. In the Joint Press meeting, PM Modi stated that under the joint economic security cooperation initiative 'we shall move forward with a comprehensive approach in critical and strategic areas'.

Among the documents signed on the margins of the summit was a Memorandum of Cooperation (MOC) in the Field of Mineral Resources to promote cooperation in the area of critical minerals, including through the development of processing technologies, joint investments for exploration and mining and efforts for stockpiling critical minerals with the intention of expansion of business opportunities. Other documents signed included an MOC on joint carbon crediting mechanism, an MOU on Digital Partnership 2.0, and a joint declaration of intent on clean hydrogen/ammonia. There was also a reference to the launch of a Sustainable Fuel Initiative and Battery Supply Chain Partnership.

PMs Modi and Ishiba also travelled by a bullet train to Sendai on August 30, and visited a leading Japanese company factory in the semiconductor sector, Tokyo Electron Miyagi Ltd. (TEL Miyagi).

PM Modi's meeting with Chinese President Xi Jinping in Tianjin

Prime Minister Narendra Modi met with President Xi Jinping of China on the sidelines of the summit of the leaders of the Shanghai Cooperation Organisation (SCO) in Tianjin on August 31, 2025. This was PM Modi's first visit to China after seven years.

³ https://www.mea.gov.in/bilateral-documents.htm?dtl/40066/Fact_Sheet__IndiaJapan_Economic_Security_Cooperation

Welcoming the positive momentum and steady progress in bilateral relations since their last meeting in Kazan in October 2024, the two leaders underlined that a stable relationship and cooperation between India and China were necessary for the growth and development of the two countries. On economic and trade relations, they recognised the role of their two economies to stabilise world trade. They further underlined the need to proceed from a political and strategic direction to expand bilateral trade and investment ties and reduce trade deficit. The two leaders further sought to expand common ground on bilateral, regional, and global issues and challenges, including on fair trade in multilateral platforms.

Earlier during the month, the Member of the Political Bureau of the Communist Party of China (CPC) Central Committee and Minister of Foreign Affairs Wang Yi paid an official visit to India from August 18-19, 2025. During his visit, he co-chaired the 24th round of the Special Representatives' dialogue on the Boundary Question between India and China with the National Security Advisor Ajit Doval on August 19, 2025. FM Wang Yi also held bilateral talks with External Affairs Minister Dr. S. Jaishankar on August 18, 2025 and called on Prime Minister Narendra Modi on August 19, 2025.

From a trade and economic security perspective, what emerged during FM Wang Yi's discussions with the EAM was the agreement⁴ to facilitate trade and investment flows between the two countries through concrete measures. As per news reports, FM Wang Yi has promised EAM that China will address India's requirements in fertilisers, rare earths and magnets and tunnel-boring machines.

Furthermore, both sides agreed to the re-opening of border trade through the three designated trading points, namely Lipulekh Pass, Shipki La Pass and Nathu La Pass. They also agreed to uphold multilateralism, enhance communication on major international and regional issues, maintain a rules-based multilateral trading system with WTO at its core, and promote a multipolar world, that safeguards the interest of developing countries.

PM's meeting with Russian President Putin

PM Narendra Modi met with the President of the Russian Federation Vladimir Putin on September 1, 2025, on the sidelines of the Shanghai Cooperation Organisation Summit in Tianjin, China. The official Press Release noted that the leaders discussed bilateral cooperation, including in the economic, financial, and energy sectors and expressed satisfaction with the sustained growth in bilateral ties in these areas.

⁴ https://www.mea.gov.in/press-releases.htm?dtl/40016/Visit_of_Chinas_Foreign_Minister_and_Special_Representative_on_the_IndiaChina_boundary_question

The External Affairs Minister, Dr. S. Jaishankar, also visited Russia from August 19-21, 2025 to co-chair the 26th Session of the India-Russia Inter-Governmental Commission on Trade, Economic, Scientific, Technological and Cultural Cooperation (IRIGC-TEC).

During the visit, EAM called on President of the Russian Federation Vladimir Putin and held meetings with Russia's First Deputy Prime Minister Denis Manturov and Minister for Foreign Affairs Sergey Lavrov.

On August 20, EAM co-chaired the 26th Session of the IRIGC-TEC with Deputy Prime Minister Denis Manturov. What is of particular relevance was the emphasis given⁵ in the meeting towards addressing tariff and non-tariff trade barriers, removing bottlenecks in logistics, promoting connectivity, effecting payment mechanisms smoothly, timely finalisation and execution of the Programme of Economic Cooperation till 2030, the early conclusion of the India-Eurasian Economic Union FTA, whose terms of reference were finalised, and regular interaction between the businesses of the two countries. These were also regarded to be among the key elements for timely achievement of the revised bilateral trade target of USD 100 billion by 2030.

In his remarks⁶ to the Joint Press interaction with FM Lavrov, Dr. Jaishankar further stated that enhancing Indian exports to Russia in sectors like pharmaceuticals, agriculture, and textiles will certainly help to correct the current trade imbalance. Steps to ensure long-term supply of fertilisers was also taken up. Indian skilled workers, especially in IT, construction, and engineering, can address the labor needs in Russia and deepen collaboration. Sustaining energy cooperation through trade and investments was also important.

Tenth meeting of the India-ASEAN AITIGA Joint Committee

The tenth meeting of the ASEAN-India Trade in Goods Agreement (AITIGA) Joint Committee and related meetings were⁷ held in New Delhi, from August 10-14, 2025.

The Joint Committee focused on advancing the ongoing review of AITIGA to enhance its effectiveness, accessibility, and trade facilitation capabilities. Seven of the eight Sub-Committees under the AITIGA Joint Committee also met and they related to Customs Procedures and Trade Facilitation, Legal and Institutional Issues, National Treatment and Market Access, Sanitary and Phytosanitary issues, Rules of Origin, Standards, Technical Regulations and Conformity Assessment Procedures, and Trade

⁵ https://www.mea.gov.in/press-releases.htm?dtl/40040/Visit_of_External_Affairs_Minister_to_Russia_August_19__21_2025

⁶ https://www.mea.gov.in/Speeches-Statements.htm?dtl/40038/EAMs_remarks_during_Joint_Press_interaction_with_FM_Lavrov_August_21_2025

⁷ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2156828>

Remedies. These meetings provided a platform for deeper collaboration, ensuring alignment with the broader goals of updating AITIGA.

The next AITIGA Joint Committee meeting is scheduled for October 6-7, 2025 at the ASEAN Secretariat in Jakarta.

Eleventh Round of India-Australia CECA negotiations

The eleventh round of India-Australia Comprehensive Economic Cooperation Agreement (Ind-Aus CECA) negotiations was held⁸ in New Delhi from August 18-23, 2025. The negotiations covered a wide range of areas including Goods, Services and Mobility, Digital Trade, Rules of Origin, Legal and Institutional Provisions, Environment, Labour, and Gender. The two sides reaffirmed their commitment to advancing their discussions further and ensuring that the agreement delivers meaningful benefits, economic opportunities, and a balanced outcome. To maintain momentum and achieve convergence both partners decided to continue the negotiations in virtual mode inter-sessionally.

US imposes 25% additional duty on imports from India

President Trump issued an Executive Order on August 6, purportedly on grounds of addressing a national emergency stemming from the Government of the Russian Federation's actions taken against Ukraine, announcing his intent to impose an additional 25% duty on imports into the US from India which was 'directly or indirectly importing Russian Federation oil'.

India responded by noting that India's oil imports are based on market factors and with the overall objective of ensuring the energy security of 1.4 billion people of India. It was extremely unfortunate that the US should choose to impose additional tariffs on India for actions that several other countries were also taking in their own national interest. The Ministry of External Affairs went on to reiterate that these actions were unfair, unjustified and unreasonable and that India will take all actions necessary to protect its national interests.

Despite this, the US went ahead and issued an implementing order on August 25 by the Department of Homeland Security, making the additional tariff of 25% applicable with effect from August 27 on top of the 'reciprocal tariff' of 25% already applicable on imports into the US from India from August 7.

USTR Greer talks of remaking the global trading order

⁸ <https://www.pib.gov.in/PressReleasePage.aspx?PRID=2160190>

In an opinion piece published by the New York Times on August 7, 2025 the US Trade Representative Jamieson Greer posited⁹ the US-EU preliminary agreement concluded on July 27 as laying a foundation for a new global trading order. In the article titled 'Why we remade the global order', Greer noted the EU Commission President Ursula Von der Layen's remarks to reporters after her summit meeting with President Trump that the trans-Atlantic relationship needed 'rebalancing' to ensure that it could be 'more sustainable'. The article went on to flag key elements from each of the trade deals reached by the US with different countries and stated that most of them agreed to cooperate on economic security to ensure the safety and reliability of supply chains, apart from committing to upgrade and better enforce their labour standards.

On enforcement of the deals, the article noted that the new US approach will be to closely monitor implementation of the deals and swiftly reimpose a higher tariff rate for non-compliance if needed. President Trump uniquely recognises, Greer stated, that the privilege of selling into the world's most lucrative market was a mighty carrot and tariff was a formidable stick.

The article claimed that by imposing tariffs to rebalance the trade deficit and negotiating significant reforms that form the basis of a new international system, US has shown leadership to address what policy makers long considered intractable problems. However, it did not hide how reshaping the order as designed by the US administration would primarily be helping US interests. The significant investment commitments that cumulatively exceeded USD 1 trillion, the article stated, will allow American manufacturing to reassert leadership across strategic sectors where US has fallen behind. Calling the effort a 'generational project to re-industrialise America', Greer concluded that the 'Turnberry system (a contrasting reference to the Bretton Woods system is implicit) is by no means complete but its construction is well under way'.

US and EU reach agreement on a framework for trade

The EU and US issued¹⁰ a Joint Statement on August 21 which establishes a framework on an agreement for 'fair, balanced and mutually beneficial transatlantic trade and investment'. This is a follow-up to the political agreement reached between President Trump and President von der Leyen on 27 July. The joint statement *inter alia* reflected an acknowledgement by the EU of US concerns and the joint determination of the two sides to resolve their trade imbalances. Other key elements of this joint statement are detailed below which reveal also the flexibilities they have shown to each other, that

⁹ <https://ustr.gov/about/policy-offices/press-office/press-releases/2025/august/op-ed-ambassador-jamieson-greer-why-we-remade-global-order>

¹⁰ https://policy.trade.ec.europa.eu/news/joint-statement-united-states-european-union-framework-agreement-reciprocal-fair-and-balanced-trade-2025-08-21_en

are somewhat different from the more rigid positions taken by either side generally in their trade negotiations with third countries:

- The EU intends to eliminate tariffs on all US industrial goods and to provide preferential market access for a wide range of US seafood and agricultural goods, including tree nuts, dairy products, fresh and processed fruits and vegetables, processed foods, planting seeds, soybean oil, and pork and bison meat;
- The US commits to apply the higher of either the US Most Favoured Nation (MFN) tariff rate or a tariff rate of 15%, comprised of the MFN tariff and a reciprocal tariff, on EU products. Additionally the US commits to apply only the MFN tariff to unavailable natural resources (including cork), all aircraft and aircraft parts, generic pharmaceuticals and their ingredients and chemical precursors;
- The US will apply a maximum tariff of 15% to EU goods subject to Section 232 actions on pharmaceuticals, semiconductors and lumber. Similarly on autos and auto parts subject to Section 232 tariffs, a combined rate of 15% will be applied. Additionally with respect to steel, aluminium and their derivative products, both the US and the EU are to cooperate to ring-fence their markets from overcapacity while ensuring secure supply chains between each other including through tariff rate quota solutions;
- The EU intends to procure US liquified natural gas, oil, and nuclear energy products with an expected off take valued at \$750 billion through 2028. In addition, the European Union intends to purchase at least \$40 billion worth of US AI chips for its computing centres.
- EU companies are expected to invest an additional \$600 billion across strategic sectors in the United States through 2028.
- The EU plans to substantially increase procurement of military and defence equipment from the United States, with the support and facilitation of the US government;
- The US and EU commit to work together to reduce or eliminate non-tariff barriers. With respect to automobiles, the US and EU intend to accept and provide mutual recognition to each other's standards. They also commit to facilitate conformity assessments to cover additional industrial sectors;
- The US and the EU commit to work together to address non-tariff barriers affecting trade in food and agricultural products, including streamlining requirements for sanitary certificates for pork and dairy products.

- The EU commits to work to address the concerns of US producers and exporters regarding the EU Deforestation Regulation, with a view to avoiding undue impact on US-EU trade;
- Taking note of the US concerns related to treatment of US small and medium-sized businesses under the Carbon Border Adjustment Mechanism (CBAM), the European Commission, in addition to the recently agreed increase of the de minimis exception, commits to work to provide additional flexibilities in the CBAM implementation.
- On digital trade, the EU confirms that it will not adopt or maintain network usage fees. The US and the EU will not impose customs duties on electronic transmissions and they intend to continue to support the multilateral moratorium on customs duties on electronic transmissions at the WTO and seek the adoption of a permanent multilateral commitment.
- The US and the EU commit to strengthen cooperation and action related to the imposition of export restrictions on critical mineral and other similar resources by third countries.

US Appeals court rules against Trump's tariffs

The US Court of Appeals for the Federal Circuit upheld¹¹ on August 29, by a 7-4 verdict, the earlier judgement in the month of May by the US Court of International Trade that the US President did not have the authority to use emergency economic powers legislation to impose worldwide tariffs without the explicit consent of the US Congress. The court ruled that imposing tariffs is not within the President's mandate, and that setting levies is "a core Congressional power". This in turn implies that most of the tariffs imposed by President Trump, including the 'reciprocal tariffs' imposed on various countries around the world including India, are deemed by the court as without legal basis. This case, however, did not deal with sectoral tariffs imposed on steel, aluminium and autos that were imposed under Section 232 of the country's Trade Act, which relate to measures taken on national security grounds.

However, the Court agreed not to make the ruling effective until October 14, to give the Administration time to appeal to the Supreme Court.

President Trump criticised the appeals court ruling on Truth Social, saying "Today a Highly Partisan Appeals Court incorrectly said that our Tariffs should be removed, but they know the United States of America will win in the end". He added "If these

¹¹ <https://www.bbc.com/news/articles/ckgj7jxkq58o>

Tariffs ever went away, it would be a total disaster for the Country. It would make us financially weak, and we have to be strong."

US chip sale resumption to China runs into controversy

US chip companies Nvidia and AMD had agreed to deposit 15% of their revenues from certain advanced chip sales to China to the US government. This was part of an unusual deal reached in July by the Trump administration, allowing these companies to resume sales of specific AI chips (Nvidia's H 20 and AMD's MI308) to the Chinese market after the prohibition of these sales had earlier become effective in April as part of US export restrictions on advanced chips.

The deal raised many questions including how a 15% tax suddenly eliminates the national security issue. Presumably in response to these concerns, US Commerce Secretary Howard Lutnick clarified that the US would not be selling to China its best or even second or third best chips, but a less advanced 'fourth best' version. He further noted, "you want to sell the Chinese enough that they get addicted to the American technology stack."

This in turn apparently led the Chinese government to tell its companies to stop using these chips. China has termed Lutnick's statement 'insulting' and asked its regulators to find ways to move Chinese companies away from Nvidia's H20 chips. Chinese tech groups have consequently held off or significantly downsized their H20 orders¹².

US government takes a stake in Intel

The United States government is to take an US \$8.9 billion investment¹³ in Intel Corp. as part of a deal reached following President Trump's accusations about the company's earlier dealings with China, and calling for the resignation of its CEO Lip-Bu Tan. The government's equity stake is to be funded by the remaining \$5.7 billion in grants previously awarded, but not yet paid, to Intel under the U.S. CHIPS and Science Act, and US \$3.2 billion awarded to the company as part of the Secure Enclave programme. The US \$8.9 billion investment is in addition to the US \$2.2 billion under the US CHIPS Act grants Intel has already received to date, making for a total investment of US \$11.1 billion. Trump then reportedly said on social media that Intel CEO Lip-Bu Tan wanted to keep his job and "ended up giving us US \$10 billion for the United States."

Intel's filing with the stock exchange stated that the deal dilutes existing shareholders, reduces their voting rights, and could subject the company to additional regulations

¹² 'China turns against Nvidia's AI chip after 'insulting' Howard Lutnick remarks' by Zijiang Wu and Cheng Lung, August 21, 2025, Financial Times

¹³ <https://www.intc.com/news-events/press-releases/detail/1748/intel-and-trump-administration-reach-historic-agreement-to>

or restrictions in other countries. CEO Tan has also reportedly said Intel did not need the money¹⁴.

This is the latest US government intervention in a private corporation, following a Pentagon deal for a stake in a mining company MP Materials announced in July, and the influence the Administration has gained in the governance of US Steel after its acquisition by Japan's Nippon Steel was approved by the administration. U.S. Commerce Secretary Howard Lutnick has further indicated that the Trump administration could take similar stakes in other US technology companies in the future.

Trump threatens countries imposing taxes on US Tech companies

On August 26, President Donald Trump threatened that further tariffs and export restrictions could be imposed on countries that unfairly targeted US technology firms. Digital taxes, digital services legislation, and digital markets regulations, according to him, were all designed to harm, or discriminate against American technology and warned that “substantial” tariffs would follow if nations did not “show respect” to US tech firms, adding that the taxes “give a complete pass to China’s largest tech companies”. While no country was specifically named, they clearly appeared to indicate possible areas for future focus by the US administration. Certain observers have interpreted¹⁵ Trump’s threat as a warning specially to the European Union and the UK, even as both of them have struck deals with the US that did not address this issue.

¹⁴ <https://www.reuters.com/sustainability/boards-policy-regulation/investors-worry-trumps-intel-deal-kicks-off-era-us-industrial-policy-2025-08-27/>

¹⁵ <https://dig.watch/updates/trump-threatens-tariffs-over-eu-digital-taxes-on-us-tech-companies>



Delhi Policy Group

Core 5A, 1st Floor,
India Habitat Centre, Lodhi Road
New Delhi - 110003
India

www.delhipolicygroup.org