



# Delhi Policy Group

Advancing India's Rise as a Leading Power



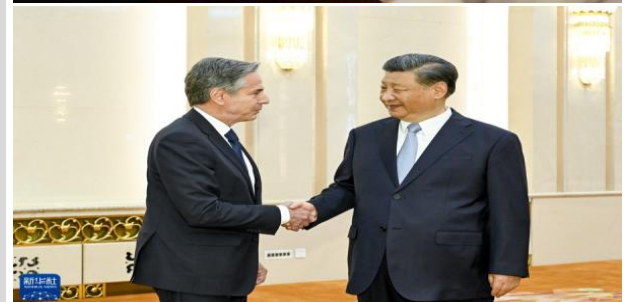
## ECONOMIC SECURITY AND RESILIENCE REVIEW

JUNE 2023

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### 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.

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### Cover Image:

Indian Prime Minister Narendra Modi at White House Arrival Ceremony, in Washington, D.C. on June 22, 2023. Source: [PM Office](#).

Indian Prime Minister Narendra Modi addressing the Joint Session of US Congress, in Washington DC on June 22, 2023. Source: [PM Office](#)

President Xi Jinping met with US Secretary of State Blinken in Beijing on June 19, 2023. Source: [Ministry of Foreign Affairs of the People's Republic of China](#)

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# Economic Security and Resilience Review

by

V. S. Seshadri

## Introduction

Economic security related aspects figured prominently during the landmark state visit of Prime Minister Narendra Modi to the US from June 21-24, 2023. President Biden and PM Modi both affirmed that technology will play a defining role in the partnership, and welcomed the initiative on critical and emerging technologies (iCET) as a major milestone. This issue, therefore, begins by highlighting the significant outcomes of the visit.

Another development of note was the release by the Indian government of a list of thirty critical minerals, which will provide suitable guidance to the various ministries and industrial sectors on designing and developing plans to boost their mining, exploration, processing and production.

This month's review has also outlines the key elements in the joint communication of the EU Commission and the EU High Representative proposing a draft economic security strategy for Europe. This will form the basis for further discussion with the EU member states and the European Parliament before finalisation. Also covered are certain elements relating to supply relationships referred to in the German National Security strategy released during the month. The strategy names China as a partner, competitor and systemic rival.

UK Prime Minister Rishi Sunak and President Biden signed an Atlantic Declaration defining the two countries' joint economic partnership for the 21st century during the former's visit to Washington D.C. on June 8, 2023. The accompanying action plan addresses several economic security elements.

Noteworthy this month is also a joint declaration by six Western developed nations (Australia, Canada, Japan, New Zealand, UK and the US - the EU's absence being conspicuous) against trade related economic coercion and non-market practices.

The visit of US Secretary of State Anthony Blinken to China and the visit of the Chinese PM Li Qiang to Germany and France saw a sharpening of the debate about de-risking. USTR Katherine Tai outlined the US approach to China and the basis for promoting supply chain resilience.

## Modi-Biden summit decisions underline economic security cooperation

The summit meeting held between President Biden and Prime Minister Modi in Washington D.C. on June 22, 2023 witnessed economic security related issues figuring prominently. In his remarks to the press after the summit, PM Modi stated that the two sides have decided, in the midst of global uncertainties, that India and America will, as trusted partners, create reliable, secure and resilient supply chains and value chains. In his address to the joint session of the US Congress, PM Modi again drew attention<sup>1</sup> to how one consequence of globalisation was the over concentration of supply chains. He added that technology will determine the security, prosperity and leadership in supply chains. This was why the two countries have established a new initiative for Critical and Emerging Technologies (iCET).

The summit's joint statement affirmed that technology will play the defining role in the partnership and hailed iCET as a major milestone of US-India relations<sup>2</sup>. The two leaders pledged to hasten bilateral collaboration to secure resilient supply chains through enhanced technical assistance and greater commercial cooperation, as well as the exploration of additional frameworks as necessary. In addition, the two sides underscored the importance of trusted supply chains in virtually every area of economic cooperation including space, semiconductors, telecommunication, critical minerals, clean energy and pharmaceuticals. Further, India was 'enthusiastically welcomed' by the US as the newest partner in the US-led 'Minerals Security Partnership' initiative.

<sup>1</sup> <https://mea.gov.in/Speeches-Statements.htm?dtl/36714/Address+by+Prime+Minister+Shri+Narendra+Modi+to+the+Joint+Session+of+the+US+Congress#:~:text=It%20is%20always%20a%20great,1.4%20billion%20people%20of%20India.>

<sup>2</sup> <https://mea.gov.in/bilateral-documents.htm?dtl/36711/IndiaUSA+Joint+Statement+during+the+Official+State+visit+of+Prime+Minister+Shri+Narendra+Modi+to+USA>

Both leaders reaffirmed that the Indo-Pacific Economic Framework for prosperity (IPEF) was an important pillar of collective and collaborative efforts and welcomed the substantial conclusion of the supply chain pillar. They also committed to working with other partners to expeditiously conclude negotiations of the clean economy and fair economy pillars.

The two leaders welcomed the launch of the inter-agency led Strategic Trade Dialogue (that had been held in Washington DC earlier in the month on June 6, cochaired by the Foreign Secretary on the Indian side and the Under Secretary of State for political affairs and the Under Secretary for the Bureau of strategic and security affairs from the Department of Commerce from the US side) and directed both sides to undertake regular efforts to address export controls, explore ways of enhancing high technology commerce and facilitate technology transfer between the two countries.

The joint statement also carried several announcements listed below that have the potential to enhance high technology commerce and investments:

- Micron Technology of the US to invest up to US\$ 825 m to build a new semiconductor assembly and test facility in India that will have a combined investment of US\$ 2.75 bn;
- Applied Materials Inc. of the US to invest US\$ 400 m to establish a collaborative engineering center in India;
- Signing of an MOU between General Electric of the US and HAL for the manufacture of GE-414 engines in India for HAL's LCA Mk2 aircraft that will involve technology transfer and co-production; and
- India's plan to procure General Atomics MQ-9B HALE unmanned aerial vehicles. The plan involves General Atomics establishing a comprehensive global MRO facility in India that will boost indigenous defense capability.

On the reverse side, three Indian companies announced investments totalling over US\$ 2 bn in the US in the renewable energy and EV battery related sectors.

## India releases critical minerals list

In what is intended to serve as a guiding framework for policy formulation, strategic planning and investment decisions, the Government of India on June 28, 2023 identified thirty critical minerals which are regarded essential for various industrial sectors such as high-tech electronics, agriculture, energy, telecommunications, transport and defence<sup>3</sup>. This has been done on the basis of a report on 'Critical Minerals for India' prepared by an expert team constituted by the Ministry of Mines and is intended to assist India's pursuit of self reliance and security in minerals, enhancing supply chain resilience, and net-zero objectives. The list was unveiled by the Union Minister Pralhad Joshi who said that India was readying for Aatmanirbhar Bharat. He also pointed to India becoming a member of the international Minerals Security Partnership that will bolster critical minerals supply chains.

The list of minerals has been designated as critical based on their economic importance and domestic availability. They include the 17 rare earth elements (REE) and the six platinum group elements (PGE). Among the minerals identified are antimony, beryllium, bismuth, cadmium, cobalt, copper, gallium, germanium, graphite, hafnium, indium, lithium, molybdenum, niobium, nickel, PGE, phosphorous, potash, REE, rhenium, selenium, silicon, strontium, tantalum, tellurium, tin, titanium, tungsten, vanadium and zirconium. Of these, India is 100% import-dependent on ten of them. These are Beryllium, cobalt, germanium, lithium, nickel, niobium, rhenium, strontium, tantalum and vanadium.

## EU Commission proposes draft strategy on Economic Security

The EU Commission and the EU High Representative jointly released a communication on June 20, 2023 titled 'An EU approach to enhance Economic Security' which will now be a basis for discussion with the EU Parliament and the EU Council before it is finalised<sup>4</sup>. This draft strategy proposes to carry out a thorough assessment of risks to economic security in four areas:

- Risks to the resilience of supply chains, including energy security;
- Risks to physical and cyber security of critical infrastructure;

<sup>3</sup> <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=1936083>

<sup>4</sup> [https://ec.europa.eu/commission/presscorner/detail/en/IP\\_23\\_3358](https://ec.europa.eu/commission/presscorner/detail/en/IP_23_3358)



- Risks related to technology security and technology leakage; and
- Risks of weaponisation of economic dependence or economic coercion.

The draft strategy further proposes risk mitigation through a three pronged approach:

- Promoting EU's competitiveness, strengthening the single market, supporting a strong and resilient economy, investing in skills and fostering research;
- Protecting the EU's economic security through a range of existing policies and tools to new ones, which will be done in a precise and proportionate way to limit any unintended negative spillover effects; and
- Partnering with the broadest possible range of partners to strengthen economic security including through furthering and finalising trade agreements, reinforcing other partnerships.

The draft also lays out several new areas of action resulting from the strategy that include establishing a list of technologies critical to economic security, engaging in a structured dialogue with the private sector, reviewing FDI screening regulation and risks arising from outbound investments, fully implementing EU's export regulations, and providing targeted support for R&D for dual use technologies.

While the draft mentions Russia by name in the context of Europe's over reliance on one country, particularly with systemically divergent values, models and interests, there is no explicit reference to China.

As for partnering on building economic security, the draft under the section on 'Bilateral and Plurilateral Cooperation' inter alia states that intensive cooperation is already taking place with various partners, including the US and India, as part of the respective Trade and Technology Councils (TTC).

## Release of German National Security Strategy

The German National Security Strategy was released on June 14, 2023 after a good deal of internal discussion and debate. The strategy takes an integrated



security approach in a robust, resilient and sustainable manner<sup>5</sup>. It calls Russia the most significant threat to peace and security in the Euro- Atlantic area. But it also goes on to note that some countries are attempting to reshape the current international order, driven by their perception of systemic rivalry, and in this context mentions China as a partner, competitor and systemic rival. It further adds that while elements of rivalry and competition had increased in recent years, at the same time China remains a partner without whom many of the most pressing global challenges cannot be addressed.

As for economic security elements, the strategy talks about reducing current one-sided dependencies in the supply of raw materials and energy, as well as in other strategically relevant areas. Supply relationships are to be diversified and steps taken for safeguarding supply. The Federal Government is also to provide targeted support for science and research, as well as for innovativeness in the business sector, and to take measures to protect against illegitimate interference and knowledge flows. Modernising its cybersecurity architecture and strengthening its abilities to defend against cyberattacks also received attention.

### **Joint Declaration against trade related economic coercion and non-market policies**

Six countries - Australia, Canada, Japan, New Zealand, UK and the US - issued a joint declaration<sup>6</sup> on June 9, 2023 on non-market policies of concern, indicating also that that this was built on the momentum of the G-7 Hiroshima summit Joint Statement on Economic Resilience and Security that was issued on May 20, 2023 (reported in this ESRR for May, 2023). The declaration defines the non-market policies and practices of concern to include a) industrial policies and practices that promote excess capacity; b) pervasive subsidisation; c) discriminatory and anti-competitive activities of state owned or controlled enterprises; d) the arbitrary and unjustifiable application of regulations; e) forced technology transfer; f) state sponsored theft of trade secrets; g)

<sup>5</sup> <https://www.nationalesicherheitsstrategie.de/en.html>

<sup>6</sup> <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2023/june/joint-declaration-against-trade-related-economic-coercion-and-non-market-policies-and-practices#:~:text=The%20Governments%20of%20Australia%2C%20Canada,Paris%20on%208%20June%202023.>

government interference in commercial decision making; and h) insufficient market and regulatory transparency.

The declaration further expresses particular concern with reference to various forms of economic coercion and lists some of them. It cautions that such coercion is frequently disguised as a legitimate or public policy measure unrelated to the strategic objective it was intended to achieve. It could also occur indirectly through government entrustment or directions given to state owned, state controlled or private enterprises.

The declaration commits the parties to work together, with all interested parties, to identify, prevent, deter, and address trade related economic coercion and non-market policies and practices, including through multilateral institutions such as the WTO. There was, however, no immediate explanation available as to why the EU, or any of its member states, which participated in decisions at the G-7 summit, was not a party to the declaration.

## **Biden-Sunak summit brings the two countries closer on economic security**

President Biden and Prime Minister Rishi Sunak signed an Atlantic Declaration during the latter's visit to Washington D.C. on June 8, 2023 to build on the two countries' economic partnership across the full spectrum of economic, technological, commercial and trade relations<sup>7</sup>. Together with an accompanying action plan, it is to constitute a new economic security framework covering ever-closer cooperation on critical and emerging technologies, supply chains and stronger protective toolkits. Prime Minister Sunak also appeared to have received President Biden's backing for the UK to host the first global summit on AI (Artificial Intelligence) safety.

The UK and the US are also to begin talks on a critical minerals agreement that would inter alia allow the electric vehicle minerals mined in the UK to receive the tax benefits under the Inflation Reduction Act.

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<sup>7</sup> <https://www.whitehouse.gov/briefing-room/statements-releases/2023/06/08/the-atlantic-declaration-a-framework-for-a-twenty-first-century-u-s-uk-economic-partnership/>

## US Secretary of State Blinken's visit to China brings out the wide gap in their perspectives

During a visit to China, US Secretary of State Anthony Blinken met with China's Foreign Minister Qin Gang and also Wang Yi, State Councilor and Member of CPC Central Committee, apart from also calling on President Xi Jin Ping. The US State Department website conveyed that the two sides had candid, substantive and constructive discussions on key priorities in the bilateral relationship and on a range of regional and global issues. The Secretary was said to have emphasised the importance of open channels of communication across the full range of issues to reduce the risk of miscalculation. He also made clear that while the US will compete vigorously, it will responsibly manage the competition so that the relationship did not veer into conflict.

At his Press availability<sup>8</sup> in Beijing, Blinken also clarified that the US was for derisking and diversifying. That meant investing in its own capacities and in secure, resilient supply chains; pushing for level playing fields for its workers and its companies; defending against harmful trade practices; and protecting against critical technologies so that these were not used against it. Blinken said he made it very clear that the US will continue to take targeted actions that were necessary to protect US national security.

In response to a question, Blinken said that one of the important things for him to do on the trip was to disabuse his Chinese hosts that the US was seeking to economically contain them; the US was not. He added that US was not for decoupling but derisking and diversifying. As for decoupling or containment, the facts simply belied that proposition, and he pointed out here aspects like the high level of bilateral trade at US\$ 700 bn last year, and the 300,000 Chinese students studying in the US.

The Chinese Foreign Ministry on its website, on the other hand, stated inter alia that during his meeting with Blinken, President Xi stated<sup>9</sup> that major-country competition did not represent the trend of the times, still less could it solve America's problems or the challenges facing the world. China respected US interests and did not seek to challenge or displace the US. In the same vein the US needed to respect China and must not hurt China's legitimate rights and

<sup>8</sup> <https://www.state.gov/secretary-of-state-antony-j-blinkens-press-availability/>

<sup>9</sup> [https://www.fmprc.gov.cn/mfa\\_eng/zxxx\\_662805/202306/t20230619\\_11099957.html](https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202306/t20230619_11099957.html)

interests. Neither side should try to shape the other side of its own will, still less deprive the other side of its legitimate rights to development.

## Chinese PM Li Qiang visits Germany and France and takes on 'de-risking'

In what was widely seen as an attempt by China to persuade Europe to adopt an independent approach towards maintaining strong economic ties with China, Chinese Prime Minister Li Qiang visited Germany and France from June 19-23, 2023. At the conclusion of the visit, the Chinese foreign ministry spokesperson<sup>10</sup> said that the visits achieved fruitful results and will inject more vigour and dynamism into bilateral cooperation. During Li's visit, he was also reported to have addressed the 'de-risking' rhetoric and stressed that a lack of cooperation was the biggest risk and the lack of development the biggest insecurity.

PM Li Qiang also took up this theme on June 27 at the inaugural session of the World Economic Forum meeting held in Tianjin, and said that calls from the West to 'de-risk' are a false proposition. Enterprises, he said, should make decisions themselves at a time of economic challenges, and the governments should not stand in the way by politicising problems.

## USTR explains the US basis for promoting supply chain resilience

In a speech on 'Supply chain resilience' at the National Press Club on June 15, 2023 in Washington D.C., USTR Katherine Tai<sup>11</sup> laid out the rationale for pursuing resilience, which she said was vital for greater national and economic security. She noted that US's global supply chains that had been created to maximise short term efficiency and minimise costs, needed to be redesigned for resilience. This was because when efficiency and low cost are the only motivators, production moves outside and gets increasingly consolidated in one economy - such as China - which manipulated cost structures, controlled key industries and became a dominant supplier for many goods and technologies. The US focus has therefore shifted from liberalisation and pursuit

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<sup>10</sup> [http://rw.china-embassy.gov.cn/eng/fyrth/202306/t20230626\\_11103993.htm](http://rw.china-embassy.gov.cn/eng/fyrth/202306/t20230626_11103993.htm)

<sup>11</sup> <https://ustr.gov/about-us/policy-offices/press-office/speeches-and-remarks/2023/june/ambassador-katherine-tai-remarks-national-press-club-supply-chain-resilience>

of efficiency at low cost - at any cost - to raising standards, building resilience, driving sustainability, and fostering more inclusive prosperity at home and abroad. That is why, she said, a key part of her approach is to put the 'US' back into the USTR, and she was travelling throughout the US, meeting with smaller companies and entrepreneurs and diversifying the country's advisory system.

The foregoing approach, she said, was also the reason why in the Indo Pacific Framework (IPEF) discussions, a lot that the US was trying to do was to orient the rules toward working people, the environment and small businesses. The focus on initiatives like the IPEF and APEP (America's partnership for Economic Prosperity) was on developing additional supply chains to derisk from over-reliance, she added.

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