



Delhi Policy Group

Advancing India's Rise as a Leading Power

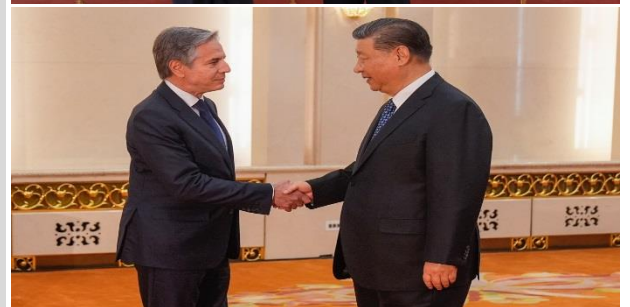
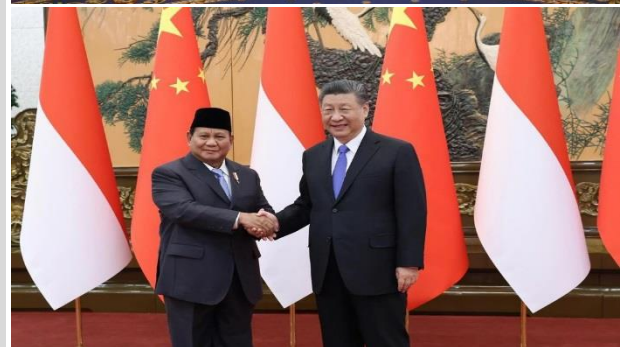


ECONOMIC SECURITY AND RESILIENCE REVIEW

APRIL 2024

Author

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Economic Security and Resilience Review

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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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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:

Kishida Fumio, Prime Minister of Japan, with the President of the United States of America, Joe Biden, and President of the Republic of the Philippines, Ferdinand R. Marcos, Jr., at the Japan-U.S.-Philippines Summit in Washington D.C. on April 11, 2024. (Source: [Prime Minister's Office of Japan](#))

President Xi Jinping with Indonesian President-elect Prabowo Subianto at the Great Hall of the People in Beijing on April 1, 2024. (Source: [Prabowo Subianto/Official X Account](#))

US Secretary of State Antony J. Blinken with Chinese President Xi Jinping in Beijing on April 26, 2024. (Source: [Anthony Blinken/Official X Account](#))

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Economic Security and Resilience Review

by

V. S. Seshadri

Introduction

The month of April 2024 witnessed several high level visits in key world capitals that could have a bearing on the evolving global economic security scenario. The summit meeting between President Biden of the US and Prime Minister Kishida of Japan in Washington D.C. held on April 10, 2024 saw the two leaders committing themselves to several initiatives that will further advance their strategic cooperation. The trilateral Japan-Philippines-United States summit held on the following day also resulted in the launch of new cooperative ventures, including the Luzon economic corridor to be undertaken in the Philippines. Both meetings also addressed coercive pressures coming from China.

Meanwhile, President elect Prabowo Subianto of Indonesia chose China as the first foreign country to visit. During his meeting with President Xi Jinping, he voiced full support for the development of a closer relationship between Indonesia and China. An opinion survey conducted by the Singapore think tank ISEAS earlier this year indicated that South East Asians would now prefer to align with China (50.5%) over the US (49.5%), if ASEAN nations were forced to choose between them. Notably, the preference towards China was the highest in Malaysia (75.1%), followed by Indonesia (73.2%) and Laos (70.6%).

This month's ESRR also tracks exchanges of high level visits between the EU and China, and between the United States and China. German Chancellor Olaf Scholz's visit to China, in which he was also accompanied by a large business delegation, appeared conciliatory in tone and sought to secure greater market access for German companies in China. In contrast, the EU Commission launched subsidy probes in April on Chinese solar panels and wind turbines, started investigations on Chinese public procurement practices for medical devices, and raided the offices of the Chinese company NUCTECH in Poland and The Netherlands.

Meanwhile, the visit by the US Treasury Secretary Janet Yellen to China from April 5-9, 2024, saw her drawing attention to Chinese industrial overcapacity in NEVs and solar energy. During the month, the US also launched an investigation into China's ship building, maritime and logistics sectors, and

President Biden asked the USTR to consider tripling the existing tariff rates on China's steel and aluminium imports into the US.

As for India related developments, there were no significant aspects to report, with the country in the election mode. This issue covers the critical minerals summit held in New Delhi from April 29-30, 2024.

Finally, this issue also flags some of the key international investment trends in recent years, as analysed by a newly released UNCTAD report on 'Global economic fracturing and shifting investment patterns'.

US-Japan bilateral summit

In continuation of the Biden administration's efforts to boost ties with its allies and partners, President Joe Biden hosted Prime Minister Fumio Kishida of Japan for an official visit on April 10, 2024 that yielded significant outcomes in respect of defense, security and space cooperation, promotion of technology innovation, bolstering economic security and accelerating climate action.

The comprehensive joint statement¹ titled 'Global Partners for the Future' declared that the United States and Japan will aim to maximally align their economic, technology, and related strategies to advance innovation, strengthen industrial bases, promote resilient and reliable supply chains, and build the strategic emerging industries of the future while pursuing deep emissions reductions during this decade. They further intend to sharpen their innovative edge and strengthen their economic security, including by promoting and protecting critical and emerging technologies.

The leaders also welcomed some of the recent mutual investments, including Microsoft's US \$2.9 billion investment in Japan on AI and cloud infrastructure, workforce training, and a research lab; and Toyota's recent additional US \$8 billion battery production investment for a cumulative US \$13.9 billion investment in North Carolina. The joint statement recalled that Japan was the top foreign investor in the United States with nearly US \$800 billion of FDI, and Japanese companies employed nearly one million Americans across all 50 states. Similarly, as a top foreign investor in Japan for many years, the US was supporting Japan's economic growth. The two sides planned to accelerate investment in their respective start-up environments to foster innovation through a "Japan Innovation Campus" in the Silicon Valley and a "Global Startup Campus" to be established in Tokyo. The two sides also committed to

¹ <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/10/united-states-japan-joint-leaders-statement/>

strengthening their shared role as global leaders in the development and protection of next-generation critical and emerging technologies such as AI, quantum technology, semiconductors, and biotechnology, through research exchange and private investment and capital finance, including with other like-minded partners. Several specific initiatives in these areas were also outlined in the joint statement.

Both sides applauded the recent entry into force of the IPEF Supply Chain Agreement and said they will continue to seek cooperation on critical minerals projects, including those along the Partnership for Global Infrastructure and Investment Lobito Corridor (A US led initiative in West Africa), through the Minerals Security Partnership (MSP), and the Partnership for Resilient and Inclusive Supply-chain Enhancement (RISE). They noted their cooperation to deter and address economic coercion, through bilateral cooperation as well as through like-minded partners, including the G7 Coordination Platform on Economic Coercion. They further stated that they are working to uphold a free, fair and rules-based economic order; address non-market policies and practices; build trusted, resilient, and sustainable supply chains; and promote open markets and fair competition under the U.S.-Japan economic "2+2" and the U.S.-Japan Commercial and Industrial Partnership. They undertook to advance their commitment to operationalize data free flow with trust, including with respect to data security. They will also discuss the promotion of resilient and responsible seafood supply chains.

Japan-Philippines-US trilateral summit

The first trilateral summit between President Joe Biden of the US, President Ferdinand Marcos of the Philippines, and Prime Minister Fumio Kishida of Japan was held in Washington D.C. on April 11, 2024, which also issued a joint vision statement². The summit sought to further progress trilateral cooperation efforts that were already underway among the three countries across their shared agenda of economic security, development, humanitarian assistance, maritime security and defence. The summit also expressed serious concerns about the People's Republic of China's (PRC) dangerous and aggressive behavior in the South China Sea.

In terms of specifics in the vision statement on economic security related issues, it covers several cooperative projects to be undertaken in the Philippines with support from Japan and the United States. Mention was made of President

² <https://www.whitehouse.gov/briefing-room/statements-releases/2024/04/11/joint-vision-statement-from-the-leaders-of-japan-the-philippines-and-the-united-states/#:~:text=Japan%2C%20the%20Philippines%2C%20and%20the%20United%20States%20are%20working%20together,and%20fair%20market%20competition%20with>

Biden's recent Presidential Trade and Investment Mission to the Philippines and the announcement of more than US \$1 billion in US private sector investments intended to promote the Philippines' innovation economy, clean energy transition, and supply chain resilience, as well as the continued US commitment to mobilizing private sector investment in the Philippines. There was also a reference to Japan's Official Development Assistance and private sector investment in the 2022-2023 fiscal year, which exceeded the pledge of JPY 600 billion made in the 2023 Japan-Philippines Joint Statement.

The trilateral summit also launched the Luzon Economic Corridor which will support connectivity between Subic Bay, Clark, Manila, and Batangas in the Philippines. Through this corridor, which is part of the Partnership for Global Infrastructure and Investment-IPEF Accelerator, Japan, the Philippines, and the United States committed to accelerating coordinated investments in high-impact infrastructure projects, including rail; ports modernization; clean energy and semiconductor supply chains and deployments; agribusiness; and civilian port upgrades at Subic Bay.

Japan and the United States also intend to provide at least US \$8 million for Open Radio Access Network (RAN) field trials and the Asia Open RAN Academy based in Manila, to enable future commercial deployment and an open, interoperable, secure, reliable, and trusted information communications technology ecosystem in the Philippines. Further a new semiconductor workforce development initiative is to be pursued by the three countries, through which students from the Philippines will receive world-class training at leading American and Japanese universities, to help secure their semiconductor supply chains.

Indonesian President Elect visits China

In what could have a significant impact on the evolving geo-economic situation in the South East Asia region, Indonesian President Elect Prabowo Subianto, who is to assume office in October this year, undertook a visit to China on April 1, 2024. In his meeting with President Xi Jinping, he said that he was delighted to make China the first country he visited after being elected President. He said China was a strong cooperation partner of Indonesia and in recent years Chinese companies have actively and deeply participated in Indonesia's economic development and contributed to Indonesia's national development. He voiced full support³ for the development of a closer relationship between Indonesia and China and said he was ready to continue President Widodo's policy towards China, stay independent, abide by the one-

³ <https://english.news.cn/20240401/af2a19cd13a14473823a34c20dd0b701/c.html>

China policy that the Indonesian government has always pursued, work with China to support each other's core interests, promote more comprehensive and high quality development of bilateral relations, and follow through on the important understanding of building a community with a shared future between the two countries.

President Xi described Prabowo as an 'old friend of the Chinese people' and said that China viewed its relations with Indonesia from a strategic and long term perspective. Xi cited the China-built high speed train link between Jakarta and Bandung opened in 2023 as an exemplar of a 'gold standard of high quality cooperation'.

ISEAS survey finds rising support for China over the US

A survey conducted by the Institute of South East Asian studies (ISEAS) in Singapore between January and March this year has found⁴ that South East Asians would now prefer to align with China (50.5%) over the US (49.5%) if ASEAN were forced to choose between the two of them. A similar survey conducted in 2023 had shown 38.9% preferred China as against 61.1% who chose the US. Further, among the ten countries of ASEAN, the preference towards China was greatest in this year's survey in Malaysia (75.1%), followed by Indonesia (73.2%) and Laos (70.6%). Among countries showing preference towards the US, the Philippines (83.3%) ranked first followed by Vietnam (79%) and then Singapore (61.5%). The survey, however, also showed that the South East Asians do not want to choose sides at all. To a query about how the ASEAN should respond to the intensifying US-China rivalry, only 8% said the bloc has to choose between them because remaining neutral is impractical, while 46.8% said ASEAN should prioritise bolstering its resilience and unity to counter pressure from both the US and China. Another finding of the survey was that 59.5% of the respondents saw China as the most influential economic power in South East Asia, far ahead of the US at 14.3%

German Chancellor Olaf Scholz visits China

German Chancellor Olaf Scholz paid a three day visit to China from April 14-16, 2024 accompanied by a large business delegation. He visited production facilities of German companies in Chongqing and Shanghai, apart from his meetings with President Xi Jinping and Prime Minister Li Qiang in Beijing. His visit focused on three main topics: trade and business, the protection of global assets with regard to sustainability and climate change, and geopolitical challenges. Although this was Scholz's second visit to China as Chancellor, it

⁴ <https://www.iseas.edu.sg/wp-content/uploads/2024/03/The-State-of-SEA-2024.pdf>

was closely watched considering that it was his first visit after the adoption of the German National Security strategy in June 2023 which had characterised China as a partner, competitor and systemic rival, and had also noted that the elements of rivalry and global competition had increased.

But the focus of this trip⁵ appeared to be mainly to push for greater market access for German businesses in the Chinese market, that led some analysts to observe that the visit was conciliatory in tone and substance. Scholz was quoted as having expressed his concern that unilateral economic policy decisions in China were creating major structural difficulties for companies in Germany and in Europe. While he warned that Beijing had to curb the flood of Chinese goods into Europe, he appeared defensive about investigations launched by the EU Commission on China's use of subsidies for green technology industries, saying that any discussion on trade must be based on fairness.

Revealing also were the comments made by the leading industrialists accompanying Scholz. Mercedes Benz chairman Ola Kallenius reportedly said that Sino-German ties should not only be cultivated but also expanded. He added 'Withdrawing from such a large market is not an alternative, but rather strengthening our position'. Oliver Zipse, the Chief Executive of the German automotive major BMW, said 'We actually see more opportunities than risks'. The Chief of the German Chamber of Commerce in China, Maximilian Butek, commented that 'if the EU goes too hard against China, we could expect counter measures and this would be catastrophe for us', adding 'For us, it is extremely important that the Chinese market remains open'.

Meanwhile Xi Jinping himself was reported to have stated to Scholz that as long as both sides adhered to mutual respect, seek common ground while reserving differences, communicate and learn from each other, and achieve win-win cooperation, relations between the two countries will develop steadily. He also claimed that China's export of electric vehicles, lithium batteries and solar products had enriched supplies to the global market and eased inflationary pressures, as well as made a great contribution for global efforts to tackle climate change and clean transition.

Interestingly, following the Scholz visit, China has with effect from April 16, agreed to lift the restrictions in place on beef and apple imports from Germany. It has further agreed to facilitate pork imports.

⁵ <https://www.reuters.com/world/germanys-scholz-lobbies-xi-improve-market-access-pressure-russia-2024-04-16/>

EU launches a series of investigations against Chinese products under its recently enacted laws

Three cases of anti-subsidy actions were initiated by the EU Commission against Chinese products during the month under the Foreign Subsidy Regulations of the EU Commission which came into effect in July 2023. Additionally, the month also saw the launch of the first investigation under the EU's International Procurement Instrument (IPI) that entered into force in August 2022, intended to promote open and fair access to procurement markets all over the world. Details of these cases are briefly given below. It further needs mention here that after the EU Commission initiated an anti-subsidy probe earlier this year against CRRC's Qingdao Sifang Locomotive bid for participating in a tender for the purchase of ten push-pull trains in Bulgaria, the Chinese state owned company withdrew its offer in March 2024.

(i) Investigation against solar panel supplies

The EU Commission launched⁶ on April 3, 2024 a probe into the bids submitted by two Chinese companies - Longi Solar Technologies GMBH and second a consortium controlled by the Shanghai Electric Group that provided services on wind, solar and hydrogen - to take part in a project to design, build and operate a photo voltaic park of 110 mw in Romania, partially financed by the EU funds. The EU Commission considered that the submitted bids were backed by excessive subsidies to help them defeat competitors and snatch the multi-million Euro public contracts.

(ii) Investigation against wind turbine supplies

The EU Commission launched on April 9, 2024 an anti-subsidy investigation against Chinese suppliers of wind turbines for the development of wind parks in Spain, Greece, France, Romania and Bulgaria⁷. The allegations by wind turbine manufacturers of Europe were that "Chinese wind turbine manufacturers are offering much lower prices than European manufacturers and incredibly generous financing terms with up to three years deferred payment. You can't do that without unfair public subsidy. What's more, the European manufacturers aren't allowed to offer deferred payment like that under OECD rules." The first announcement about this investigation was made

⁶ <https://www.euronews.com/my-europe/2024/04/03/eu-launches-probe-into-chinese-solar-panels-over-potentially-distortive-subsidies>

⁷ <https://www.euronews.com/my-europe/2024/04/09/eu-to-probe-chinese-wind-turbine-subsidies>

by EU Vice President Margrethe Vestager during a speech she delivered at Princeton University in the US on April 9, 2024.

(iii) Raids against a Chinese surveillance equipment maker NUCTECH

Raids were conducted⁸ on April 23, 2024 at the behest of the EU Commission on the offices of the Chinese company NUCTECH in the Netherlands and Poland under the Foreign Subsidy Regulations of the EU. NUCTECH is a manufacturer of security equipment like Xray scanners which are used mainly in airports and seaports. The EU Commission said that if they were to find sufficient indications of the existence of distortive foreign subsidies, they will open an in-depth investigation.

(iv) Investigation on Chinese procurement practices for medical devices

The EU Commission began on April 24, 2024 an investigation on Chinese procurement practices for medical devices, a first such measure, under its International Procurement Instrument (IPI) that entered into force in August 2022. IPI is intended by the EU to promote open and fair access to public procurement markets around the world. This is in response to measures and practices of China which have been perceived as unfairly discriminating against European companies and products⁹. Moreover, Chinese exports of medical devices towards Europe experienced a surge of more than 100% between 2015 and 2023. The explanation given by the EU Commission is that China's procurement market for medical devices have gradually become more closed for European and foreign firms, as well as for products made in the EU. The Chinese practices to be investigated include stringent certification processes, opaque approval systems, clauses to safeguard 'national interests', and demand for abnormally low prices that foreign manufacturers are simply not able to meet. Chinese public tenders that were previously open to imports now specifically request China made products.

EVP Margrethe Vestager of EU Commission at Princeton University

The Executive Vice President of the EU Commission Margrethe Vestager who is also the Commissioner for competition and Digital Age, gave an important speech¹⁰ on April 9, 2024 on 'Technology and Politics' at the Princeton University in the US, where she talked of how technologies were enabling, but

⁸ <https://www.euronews.com/my-europe/2024/04/24/commission-foreign-subsidies-raids-involving-chinese-company-in-ex-officio-probe>

⁹ https://ec.europa.eu/commission/presscorner/detail/fen/ip_24_2044

¹⁰ https://ec.europa.eu/commission/presscorner/detail/en/speech_24_1927

were also changing, the world with their challenges. In this regard, she highlighted three ways by which these challenges were taking place.

First, was the challenge to democracy and the dominance of the large digital platforms. Second was the challenges posed to humanity by the general purpose Artificial Intelligence (AI). And the third was the challenge posed to economic security by the global race for technologies that are needed the most and how it was shaping a new geopolitical world order.

While she went on to describe how Europe was answering each of these three challenges, we shall confine ourselves here to what she said on the economic security front. She pointed out how the COVID pandemic and the Ukraine conflict showed up the vulnerabilities and how the EU and the US, in their own ways, depended on third countries for critical technologies and the raw materials needed to produce them. China had built up a strong position, not always playing fair. Affirming that China was simultaneously an economic competitor and a systemic rival, she said the last two dimensions were increasingly converging.

She gave the example of the solar panel industry where China to begin with attracted foreign investment into its large domestic market, usually requiring joint ventures. The second stage was acquiring the technology, and in ways not always above board. Third was granting massive subsidies for domestic players, while simultaneously and progressively closing the domestic market for foreign businesses. And the fourth stage was exporting excess capacity to the world at low prices. All this resulted in less than 3% of solar panels installed in Europe being produced in Europe. She added that this playbook was now deployed across all cleantech areas, legacy semiconductors and beyond, as China doubled down on a supply side support strategy to address its economic downturn.

She made it clear 'our economies cannot absorb this'. It is not only dangerous for competitiveness, but also jeopardized economic security. She pointed to 'how these one sided dependencies can be used against us' and added this was why Europe, just as the US, was reacting.

She then talked about the series of anti-subsidy investigations launched by the EU on products from China starting from electric vehicles last year to trains and solar panels in recent times, and went on to also announce an investigation on wind turbines as part of her speech itself. She, moreover, said that while Europe was making full use of the tools it had, something more was needed than a case by case approach. Additionally, as the strategy for clean technologies developed, the question of trustworthiness also needed to be reflected upon.

This is because as the products became connected (by internet), they also became more and more part of critical infrastructure.

She then went on to propose that like-minded parties, starting with G-7 countries, should develop a “trustworthiness” criteria for critical clean technologies. These can, she said, include environmental footprint, labour rights, cyber security, and data centric criteria that are objective and country agnostic. These criteria could be deployed in different ways: as conditions for certain incentives when granting certification before a product is used in certain sensitive areas, or as non-price criteria in public procurement auctions, for instance. These criteria would be developed among like-minded partners, but they would apply to all trustworthy producers across the world. That way, she said, “we can reach critical mass and align our competitiveness with the values we share”.

A developing country like India could agree with the analysis about China’s use of non-market practices and anti-competition strategies. At the same time, the solution suggested by Vestager on the development of a ‘trustworthiness’ criteria may carry problems of its own in terms of bringing in labour rights and environmental aspects particularly if they also are to be country agnostic. This may become an extension of the carbon border adjustment mechanism type of measure that is already under implementation by the EU.

US Treasury Secretary visits China

The US Treasury Secretary Janet Yellen visited China from April 5-8 2024, she held extensive discussions with Vice Premier He Lifeng in Guangzhou and also called on Premier Li Qiang in Beijing, apart from holding discussions with the Finance Minister of China and the Governor of the People’s Bank of China. She outlined three areas¹¹ in which significant progress was made. One was a decision to provide a dedicated structure of dialogue to raise concerns on over-balances and over-capacities - among a wide range of topics - in a detailed and targeted manner. A second area of cooperation was on anti-money laundering, where a new joint US Treasury and People’s Bank of China (PBOC) initiative will enable the two sides to share best practices and information to clamp down on loopholes in the respective financial systems. Third, she said, will be a continuation of financial technical exchanges between US and China, which will enable American and Chinese financial regulators to be able to communicate to prevent financial stresses from turning into crises. She noted,

¹¹ <https://home.treasury.gov/news/press-releases/jy2241#:~:text=I%20am%20particularly%20worried%20about,and%20the%20rest%20of%20the>

for example, that during the last few months several exercises were hosted with China including on how the two countries will coordinate if there were to be a failure of a large bank in either of the two countries.

On the first area of balanced growth, she reportedly expressed serious concern on how China's enduring macroeconomic imbalances - namely its weak household consumption and business over-investment, aggravated by large scale government support in specific industrial sectors - will lead to significant risks to workers and businesses in the rest of the world. An increase in business investment in a number of 'new' industries were targeted by China's industrial policy, including electric vehicles, lithium-ion batteries and solar. China was simply too large for the rest of the world to absorb this enormous capacity. Actions taken by China can shift world prices, and when the global market is flooded by cheap Chinese products, the viability of American and other foreign firms is put into question. Saying that this was seen a decade before in steel, she said she and President Biden will not accept that happening again, and these concerns were shared by US allies and partners from advanced economies to emerging markets.

Premier Li Qiang in turn expressed the hope to Yellen that the US will work with China to uphold the basic norms of market economy, including fair competition and open cooperation, rather than politicise or impose security implications on economic and trade issues and view issues of industrial capacity objectively and dialectically from a market oriented and global perspective and in accordance with economic laws. He further claimed that China's new energy industry will contribute significantly to the green and low carbon transition worldwide. China, he said, is ready to strengthen policy coordination with the US on climate change and other issues to jointly address global challenges.

US Secretary of State Blinken's visit to China

The visit of US Secretary of State Anthony Blinken to China from April 24-26, which followed soon after that of Yellen, covered a wider canvas, including geopolitical issues. Blinken also called on President Xi Jinping, apart from holding detailed discussions with Foreign Minister Wang Yi. On economic issues, the exchanges appeared similar in nature to the Yellen visit, even if less detailed and a tad stiffer. On industrial overcapacity and other issues, Blinken reiterated¹² that the US will continue to take necessary actions to defend its interests, including preventing advanced US technologies from being used to undermine US national security and economy, without unduly limiting trade

¹² <https://www.state.gov/secretary-blinkens-visit-to-the-peoples-republic-of-china/>

or investment. President Xi was reported¹³ as conveying to Blinken that China was willing to cooperate, but cooperation should be a two way street. China was not afraid of competition, but competition should be about progressing together rather than playing a zero sum game.

USTR initiates investigation on China's shipbuilding industry

The office of US Trade Representative (USTR) has launched an investigation¹⁴ into China's ship building, maritime and logistics sectors based on complaints filed by the US Steel Workers and four other unions who have claimed that these sectors in China were built on non-market policies that were far more aggressive and interventionist than in any other country. The investigations will take place under Section 301 of the US Trade Act.

President Biden also called on the USTR¹⁵ on April 17, 2024 to consider tripling the existing tariff rates on China's steel and aluminum imports into the US, warning that an influx of artificially cheap Chinese products could hurt American workers if left unchecked. "For too long, the Chinese government has poured state money into Chinese steel companies, pushing them to make so much steel," Biden said at the headquarters of United Steelworkers (USW) in Pittsburgh.

US and UK sign an agreement on AI safety

The US and the UK signed an agreement¹⁶ on AI safety on April 1, 2024. The MOU, signed by the US Commerce Secretary Gina Raimondo and the UK Technology Secretary Michelle Donelan, will enable the two countries to work together to develop tests for the most advanced AI models. This is a follow up to the commitment made by the two sides at the AI safety, summit held in November 2023 at Bletchley Park in the UK. The US and the UK AI safety institutes have laid out plans to build a common approach to AI safety testing, and to share their capabilities to ensure these risks can be tackled effectively. They intend to perform at least one joint testing exercise on a publicly accessible model. They also intend to tap into a collective pool of expertise by exploring personnel exchanges between the institutes.

¹³ https://www.fmprc.gov.cn/mfa_eng/zxxx_662805/202404/t20240426_11289925.html

¹⁴ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/april/ustr-initiates-section-301-investigation-chinas-targeting-maritime-logistics-and-shipbuilding>

¹⁵ <https://ustr.gov/about-us/policy-offices/press-office/press-releases/2024/april/ustr-initiates-section-301-investigation-chinas-targeting-maritime-logistics-and-shipbuilding>

¹⁶ <https://www.commerce.gov/news/press-releases/2024/04/us-and-uk-announce-partnership-science-ai-safety>

India's auction plans announced at the Critical minerals summit held in Delhi

A critical minerals summit involving a diverse array of Indian and international stakeholders, including industry representatives, was held in New Delhi from April 29-30, 2024. The objective of the Summit¹⁷ was to equip government and industry stakeholders with the knowledge, connections and tools necessary to accelerate the domestic production of critical minerals. In his inaugural address, the Secretary of the Ministry of Mines, V.L.Kantha Rao, announced that the government will auction roughly 20 more critical minerals blocks by the end of June. The results of the auction process for seven critical blocks earlier held will also be declared within one month. Further auction of some offshore minerals blocks will also be taken up in three months time.

The summit facilitated a dialogue among stakeholders¹⁸ shedding light on fiscal and non-fiscal incentives available for facilitating the establishment of processing and beneficiation capabilities in India. Leading mining states such as Odisha and Andhra Pradesh also shared incentives provided by them. The discussion underscored the importance of regulatory certainty, financing frameworks and ESG standards to attract investors.

UNCTAD Report on global economic fracturing and investment

The UN Conference on Trade and Development (UNCTAD) released a report¹⁹ on April 23, 2024 on 'Global Economic Fracturing and Investment Patterns' that flagged ten FDI trends witnessed over the last several years and their development implications. In what the report termed as 'triple divergence', it outlined three divergent trends noticed in FDI patterns:

1. The growth of FDI (and that of global value chains (GVCs) has lost pace with growth of GDP and growth of trade. In the 2010 decade, while FDI plateaued, GDP and global trade grew by 3% each. In the post pandemic phase, FDI grew by 2% as against 8% for trade and 5% for GDP;
2. A widening gap in investment trends between manufacturing and services. Even as there has been a stagnation or even overall decline in FDI, cross-border investments in services have risen while manufacturing has lagged, reflecting a trend toward services-centric asset light investment. In particular, the services component of traditional manufacturing industries

¹⁷ https://www.business-standard.com/industry/news/around-20-critical-mineral-blocks-to-be-put-on-sale-by-june-end-mines-secy-124042901122_1.html

¹⁸ <https://pib.gov.in/PressReleaseDetail.aspx?PRID=2019185>

¹⁹ https://unctad.org/system/files/official-document/diae2024d1_en.pdf

- has doubled, as against a steep decline in the share of investment in manufacturing activities; and
3. Investment patterns into China have sharply declined compared to rest of the world. The number of greenfield foreign investment projects into China and Hong Kong over the past three years have been one-third of the same figure a decade ago. Yet, China continues to maintain a dominant position in global manufacturing and trade, signifying a transformation in its production model.

Further to the above three trends, the geopolitical differences and global crises in recent years have led to a transition from divergence to fracturing. Here firstly, investment patterns were marked by high levels of uncertainty. Secondly, geopolitical factors were increasingly driving the location decisions of investors, at times over-riding economic considerations. Overall, between 2013 and 2022, the share of FDI projects between geopolitically distant countries decreased by 10%. Another noteworthy feature is that the share of investment between geopolitically aligned countries (friend shoring) rose faster than geographically close ones (near shoring), although this trend witnessed a reversal in 2023 that may need further monitoring.



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