



Delhi Policy Group

Advancing India's Rise as a Leading Power



ECONOMIC SECURITY AND RESILIENCE REVIEW OCTOBER 2024

Author

V.S. Seshadri

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Cover Images:

Prime Minister Narendra Modi of India along with leaders of ASEAN member countries at the 21st ASEAN- India Summit in Vientiane, Lao PDR on October 10, 2024. (Source: [ASEAN/ Official Websites](#))

PM in a family photograph during the 16th BRICS Summit at Kazan Expo Centre, in Russia, on October 23, 2024. (Source: [PMO/Official Website](#))

PM and the Prime Minister of Spain, Mr. Pedro Sanchez jointly inaugurated the TATA Aircraft Complex for manufacturing C-295 aircraft at TATA advanced systems limited (TASL) Campus at Vadodara, in Gujarat on October 28, 2024. (Source: [PMO/Official Website](#))

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Economic Security and Resilience Review

by

V. S. Seshadri

Introduction

This month's issue of ESRR draws focus on the XVI BRICS Summit held in Kazan, Russian Federation, from October 22-24, 2024, which was attended by Prime Minister Narendra Modi. What stood out in the Kazan declaration, from an economic security standpoint, were the concerns expressed by the BRICS leaders on the unilateral sanctions and coercive measures being imposed on the global economy, and the efforts being made by the BRICS countries to promote greater use of local currencies and establishing independent cross-border settlement and depositary infrastructure. While the declaration also underlined the importance of BRICS cooperation in strengthening supply chains, there was no specific initiative that was mooted in this regard even as it was noted that BRICS Members were the largest suppliers of the world's natural resources.

Prime Minister Modi also attended the annual ASEAN-India summit held in Vientiane, Laos on October 10, 2024. A key outcome was the joint statement issued by India and the ASEAN on advancing digital transformation that sought to address several aspects, including establishing cross border linkages between payment systems in ASEAN and India and collaboration on Artificial Intelligence (AI).

What was also noteworthy was the adoption by the ASEAN summit, which was held a day earlier, of a declaration on supply chain connectivity that is a part of putting together a Framework on ASEAN Supply Chain Efficiency and Resilience, and its implementation under the Master Plan for ASEAN Connectivity 2025.

The signing of an MOU on the critical minerals supply chain between India and the US was a key highlight of the sixth India-US Commercial Dialogue held in Washington DC, co-chaired by India's Minister for Commerce and Industry Piyush Goyal and the US Commerce Secretary Gina Raimondo on October 2, 2024. The Dialogue also reviewed ongoing cooperation between the two countries in implementing the IPEF, energy, innovation start-ups and the bilateral MOU signed last year on semiconductors.

Commerce Minister Goyal subsequently expressed the hope that the MOU on critical minerals can be upgraded to a full partnership agreement that will enable India's exporters of items covered by the US Inflation Reduction Act to avail the Act's benefits.

This ESRR also tracks the key outcomes from the two separate high level visits to India by German Chancellor Olaf Schulz and Spanish leader Pedro Sanchez. The signing of the Indo-German Green Hydrogen Roadmap and the joint declaration to boost R&D in Advanced Materials formed the highlights during the German Chancellor's visit. The Spanish visit included the inauguration of the Final Assembly Line Plant of C-295 aircraft at Vadodara.

The visit of Nvidia CEO Jensen Huang to India for the Nvidia-India AI summit saw him exuding confidence about India's potential emergence as a significant manufacturer of AI.

Several trade remedial measures were introduced by different countries during the month. India imposed anti-dumping duties on imports from China on five different products, apart from also placing restrictions on others.

Indian exporters could be indirect beneficiaries from the imposition of preliminary duties by the US on the imports of solar panels from four South East Asian countries, on the ground that such imports were circumventing the existing anti-dumping and countervailing duties on solar cells from China.

The European Union finally decided, even if it was through a split vote among members, to impose countervailing duties on electric vehicle imports from China. This led China to promptly retaliate with duties imposed on imports of brandy from the EU.

Finally, two trade restrictions placed by Indonesia evoked wide interest. One was Indonesia's request to Google and Apple to block the Chinese e-commerce firm 'TEMU' from their local app stores, after being concerned about the economic impact of its consumer-to-factory model. Second was the restriction it has placed on the sale of Apple's newly released iPhone 16 due to the tech company's failure to meet local production requirements.

Kazan Declaration of the BRICS Summit

Prime Minister Narendra Modi attended the XVI BRICS Summit held in Kazan in the Russian Federation from October 22-24, 2024 with the theme 'Strengthening multilateralism for just global development and security'. The

Kazan Declaration that was adopted at the summit¹ touched on several economic security aspects including the following:

Unilateral Sanctions

The Summit expressed deep concern about the disruptive effect of unlawful unilateral coercive measures, including illegal sanctions, on the global economy, international trade and the achievement of sustainable development goals. Apart from undermining the UN Charter and the multilateral trading system, these measures also negatively impacted economic growth, energy, health and food security.

Greater use of local currencies

Welcoming greater use of local currencies in financial transactions between BRICS countries and their trading partners, the declaration encouraged strengthening of correspondent banking networks within BRICS and enabling settlements in local currencies, in line with BRICS cross border payments initiative (BCBPI) which is voluntary and non-binding. Further discussions in this area was welcomed, including in the BRICS Payment Task Force.

Establishing an independent cross-border settlement and depositary infrastructure

In regard to this area, the declaration showed agreement to study and discuss the feasibility of BRICS Clear, an initiative to complement the existing financial market infrastructure, as well as BRICS' independent reinsurance capacity, including a BRICS (Re) Insurance company, with participation on a voluntary basis.

The declaration further tasked the Finance Ministers and Central Bank Governors to continue consideration of the issue of local currencies, payment instruments and platforms and report to the next Presidency.

Strengthening supply chains

On this topic, the declaration highlighted that secure, resilient, stable, effective and open supply chains were crucial for sustainable development. Acknowledging the role of BRICS Members as the world's largest producers of natural resources, the declaration underscored the importance of

¹ https://www.mea.gov.in/bilateral-documents.htm?dtl/38450/Kazan_Declaration__Strengthening_Multilateralism_For_Just_Global_Development_And_Security

strengthening cooperation of the BRICS Members across the entire value chain, with the members agreeing to take joint actions with the aim to oppose unilateral protectionist measures that are inconsistent with the existing WTO provisions.

EAM Jaishankar at the BRICS outreach summit

External Affairs Minister Dr. S. Jaishankar represented PM Modi at the BRICS outreach summit held on October 24, 2024. His remarks² dwelt on the question of how to create an equitable global order and ensure that the benefits of change reached those who were left behind. Two aspects he underlined were of relevance to economic security and resilience.

One was to democratise the global economy by creating more production hubs. Pointing out how the COVID-19 experience was a sharp reminder of the need to work for more resilient and shorter supply chains, Jaishankar stated that for essential needs, every region legitimately aspires to create their own production chains.

The other aspect related to distortions in global infrastructure that were a legacy from the colonial era. Jaishankar called for more connectivity options that enhanced logistics and mitigated risks. He further stated, with the BRI in mind, that this needed to be a collective endeavour for common good, with utmost respect for territorial integrity and sovereignty.

ASEAN-India Summit issues joint statement on digital transformation

Prime Minister Narendra Modi attended the 21st ASEAN-India summit meeting held in Vientiane, Laos, on October 10, 2024, which inter alia issued a joint statement³ on advancing digital transformation, collaboration to leverage digital public infrastructure (DPI) in addressing diverse challenges, and cross border linkages between payment systems in ASEAN and India through innovative digital solutions. The statement encouraged exploration of partnerships between national agencies for fintech innovation. It further welcomed the establishment of a ASEAN-India Track-1 Cyber Policy Dialogue that is to hold its first meeting later this year. On Artificial Intelligence (AI), the

² https://www.mea.gov.in/Speeches-Statements.htm?dtl/38461/Remarks_by_External_Affairs_Minister_Dr_S_Jaishankar_at_the_BRICS_Outreach_Session_in_Kazan

³ https://www.mea.gov.in/bilateral-documents.htm?dtl/38397/ASEANIndia_Joint_Statement_on_Advancing_Digital_Transformation

two sides agreed to support collaboration in the development of necessary skills, democratisation of AI resources for social good, capacity building, and developing studies on governance standards and tools.

The Chairman's statement issued⁴ after the conclusion of the summit meeting on October 10, 2024 also inter alia reiterated the commitment of Indian and ASEAN leaders to ensure that the outcomes of the review of the ASEAN-India Trade in Goods Agreement (AITIGA) should be mutually beneficial and commercially meaningful. They stated that their objective is to make the AITIGA more effective, user friendly, simple and trade facilitative for business, and relevant while aligning it with current global practices as well as supporting sustainable inclusive growth. They encouraged the review process to be completed in 2025.

ASEAN adopts a declaration on supply chain connectivity

The 45th ASEAN summit held in Vientiane, Laos, on October 9, 2024 adopted a declaration⁵ on 'Supply Chain Connectivity' which seeks to intensify efforts towards elevating ASEAN's position in the global value chain through an enabling internal policy environment. This is a building block towards operationalisation of the Framework on ASEAN Supply Chain Efficiency and Resilience and its implementation under the ASEAN's Master Plan for ASEAN Connectivity 2025. The declaration reaffirms the leaders' commitment to enhance innovation, competitiveness and resilience of supply chains by various means, including:

- a) Reducing costs and increasing efficiency of cross-border trade and investment among ASEAN member states including use of advanced technologies;
- b) Developing and implementing disaster-preparedness strategies for supply chains;
- c) Promoting the diversification of supply chains;
- d) Fostering the development of vital industries capable to withstand and mitigate shocks; and
- e) Optimising the use of economic corridors between ASEAN member states.

⁴ <https://asean.org/wp-content/uploads/2024/10/6.-Final-Chairmans-Statement-of-the-21st-ASEAN-India-Summit.pdf>

⁵ https://asean.org/wp-content/uploads/2024/10/8-FINAL_Leaders-Declaration-on-Enhancing-Supply-Chain-Connectivity.pdf

The declaration further seeks to heighten efforts to expedite the pace of negotiating and upgrading ASEAN's internal and external FTAs, while effectively implementing current FTAs including the RCEP.

India-US Commercial Dialogue and MOU on critical minerals

The sixth India-US Commercial Dialogue was held in Washington DC on October 2, 2024, and co-chaired by India's Minister for Commerce and Industry Piyush Goyal and the US Commerce Secretary Gina Raimondo. The dialogue reviewed progress on several bilateral cooperative endeavours and also resulted in the signing of an MOU on the critical minerals supply chain, as outlined below⁶.

MOU on Semiconductors

The meeting read-out noted that since the signing of the bilateral MOU on semiconductors in March 2023, the US Semiconductor Association and the Indian Electronics Semiconductor Association have completed their private sector 'readiness assessment' to identify near-term industry opportunities to facilitate longer term development of complementary semiconductor ecosystems. They agreed to continue working on investments, joint ventures, and technology partnerships, and to promote talent and workforce development to benefit both countries.

MOU on critical minerals supply chains

The two ministers signed a new MOU to expand and diversify critical minerals supply chains with the aim of leveraging the two countries' complementary strengths to ensure greater resilience in the critical minerals sector. The priority areas set out included identifying equipment, services, policies, and best practices to facilitate the mutually beneficial commercial development of US and Indian critical minerals exploration, extraction, processing and refining, recycling and recovery.

Innovation

The two ministers welcomed the success of the two roundtables held between the two countries' start up eco-systems, in November 2023 in San Francisco and March 2024 in New Delhi. They also decided to invite start-up companies, investors and technology thought leaders to come together in 2025 in search

⁶ <https://www.commerce.gov/news/press-releases/2024/10/secretary-raimondo-and-minister-goyal-convene-6th-us-india-commercial>

of breakthrough solutions to advance 'IndUS innovation for Energy, Security, Technology and sustainability'.

US-India Energy Industry Network (EIN)

The two ministers praised the work done on the EIN Roundtable held in March 2024 in New Delhi, which brought 12 US companies to India to help grow sustainable and clean energy markets and accelerate the adoption of environmental solutions in India. The outcomes from the roundtable were further deliberated upon during the meeting between the US Secretary for Energy and India's Minister for Petroleum and Natural Gas on September 16, 2024.

IPEF

The two ministers highlighted their commitment, as agreed to by the IPEF Supply Chain Council, to collaborate initially in the critical areas of semiconductors, chemicals, critical minerals with a focus on batteries, and potentially in healthcare products.

Other areas

Other areas discussed included expanding start-up and SME resources in Bengaluru and strengthening the current state of the API (Active Pharmaceutical Ingredients) industrial base, production capacities and emergency response capabilities.

CIM Goyal calls for a critical minerals partnership agreement with the US

India's minister for commerce and industry, Piyush Goyal, stated⁷ on October 19, 2024 that the recently signed India-US MOU on critical minerals should be converted into a critical minerals partnership agreement, that can also become a starting point for a bilateral FTA. The minister appeared clearly voicing the concern that the MOU did not go far enough like a partnership agreement would, which could have enabled India to benefit from the US\$ 7500 electric vehicle tax credit under the Inflation Reduction Act of the US for EVs exported from India to the US. (In 2023, US signed a critical minerals partnership

⁷ <https://economictimes.indiatimes.com/news/economy/foreign-trade/india-seeks-critical-mineral-agreement-with-us-hopes-for-a-trade-pact-piyush-goyal-says/articleshow/114376908.cms?from=mdr>

agreement with Japan, and this has been designated an FTA by the US Department of Treasury for tax credits under the IRA).

Two bilateral summits with West Europe hold potential for bolstering technology, manufacturing and research cooperation

The visits to India of German Chancellor Olaf Scholz from October 24-25 and of the Spanish Prime Minister Pedro Sanchez from October 28-29 showed significant focus on promoting technology and manufacturing cooperation.

The signing of the Indo-German Green Hydrogen Roadmap and the joint declaration to boost R&D in Advanced Materials were highlights during the German Chancellor's visit⁸ in relation to advancing economic security. The green hydrogen roadmap outlines key strategies to encourage private sector investment, promote green hydrogen trade and export, and facilitate the exchange of information, particularly around challenging hard-to-abate sectors and certification standards. The projects on advanced materials will be of a 2+2 nature, involving academia and industry from both sides.

In his press briefing on the outcomes of the visit, Foreign Secretary Vikram Misri stated, in response to a question, that on the sharing of critical and emerging technologies, there is an initiative with regard to starting a dialogue with Germany. The joint statement issued by the two sides at the conclusion of the Scholz visit also reflected that the two countries will focus on collaboration in innovation, skill development and critical and emerging technologies.

The German side announced a significant increase in the annual quota of skilled work visas for Indian citizens, from 20,000 to 90,000.

Prime Minister Sanchez and Prime Minister Modi jointly inaugurated the Final Assembly Line Plant for C-295 aircraft co-produced by Airbus Spain and Tata Advanced Systems Ltd. at Vadodara⁹. This plant will roll out the first 'Made in India' C295 aircraft in 2026, out of a total of 40 aircraft to be manufactured in India. Airbus Spain is also delivering 16 aircraft in 'fly-away' condition to India, out of which five have already been delivered to the Indian Air Force.

⁸ https://www.mea.gov.in/bilateral-documents.htm?dtl/38467/Joint_Statement_7th_IndiaGermany_InterGovernmental_Consultations_IGC

⁹ https://www.mea.gov.in/bilateral-documents.htm?dtl/38476/IndiaSpain_Joint_Statement_during_the_visit_of_President_of_Government_of_Spain_to_India_October_2829_2024

During both these high level visits, there was a reaffirmation of commitment to strengthen the India-EU Strategic Partnership and to advancing the EU-India triple negotiations of a comprehensive Free Trade Agreement, Investment Protection Agreement and Geographical Indications Agreement. Similarly, there was a recognition of the the potential of the India-Middle East-Europe Economic Corridor Project (IMEEC) to boost connectivity between India and Europe.

Nvidia CEO Jensen Huang visits India

Several key collaborations between the global chipmaker Nvidia and Indian business groups were announced during the visit of its CEO Jensen Huang for the Nvidia-India AI summit held in Mumbai on October 24, 2024. Reliance Industries will partner with Nvidia to set up a 1 GW (gigawatt) data centre in Jamnagar in Gujarat that will be supplied with Nvidia's 'Blackwell AI' processors. The Chairman of Reliance, Mukesh Ambani, stated that the project will be scalable as new iterations of Nvidia's technology emerge in the future, and will be powered using renewable energy. The Chief executive of Tata Communications Ltd. announced that the network and infrastructure provider will adopt Nvidia's latest chips 'Hopper' by the end of the year to power "one of the largest supercomputers on cloud in India".

Questioned in an interview about manufacturing in India, Huang said¹⁰ that the best way to partner India is to partner Infosys, TCS, WIPRO, and other IT companies here, so that this can revolutionise everything else. The best way to help India build manufacturing capabilities is to help it first to be a manufacturer of AI. He pointed out that other countries have been manufacturing chips and systems for a long time, but this is a new time when no one manufactures intelligence. This, he said, was a concept that the Indian IT industry understood. What was needed was infrastructure. Everything else can be taken care of.

India imposes anti-dumping duties on five Chinese products

India imposed anti-dumping duties on the following five items from China during the month, each for a period of five years, following investigations conducted in each case in pursuance of representations from the domestic industry alleging dumping that had caused material injury to the industry:

1. Isopropyl alcohol that has medical and industrial uses;

¹⁰ https://www.business-standard.com/companies/interviews/develop-new-tech-to-make-ai-safe-nvidia-founder-ceo-jensen-huang-124102500012_1.html

2. Sulphur black used for dyeing textile, paper and leather;
3. Thermoplastic polyurethane having uses in automotive, medical and electronics industries;
4. Cellophane transparent film used for packaging; and
5. Unframed glass mirrors.

Curbs imposed on parts of pocket lighters

The Director General of Foreign Trade in India has said in a notification on October 13, 2024 that imports of parts of pocket lighters, gas fuelled, stand restricted and will now have to follow quality control orders with immediate effect. Import of cigarette lighters priced at less than Rs.20 is already prohibited from June 29, 2023. Items under the QCO cannot be produced, sold, traded, imported and stocked unless they bear the BIS (Bureau of Indian Standards) mark. During April-July 2024, imports of lighter parts stood at US\$ 3.8 mn, as against US\$ 4.86 mn during the whole of 2023-24. The parts are mainly imported from China.

US imposes preliminary duties on imports of solar cells and panels from South East Asian nations

The US Commerce Department announced on October 1, 2024, the imposition of preliminary countervailing duties on the imports of solar cells and panels from four South East Asian nations - Cambodia (8.25%), Malaysia (9.13%), Thailand (23.06%) and Vietnam (2.85%). The Commerce Department determined that solar cells and modules produced in these countries, which were using components from China and then exporting to the US, were circumventing the existing anti-dumping and countervailing duty orders on solar cells from China. This is of course only the ruling on subsidies; the results of the dumping investigation are expected to be announced next month. Solar cells from the four South East Asian nations collectively made up around 80% of US imports in the year 2023 in dollar terms.

Indian companies are reportedly moving to fill the gap¹¹ left by the exclusion of Chinese exports from the fast growing US solar industry, as US steps up its crackdown on manufacturers with ties to Beijing. The consulting company Wood Mackenzie has been quoted by a report as saying that cell manufacturing in countries outside of the main hubs of China and South East Asia could more than double over the next couple of years, with India making up 40% of the new

¹¹ <https://www.ft.com/content/78f52ebd-13ba-4a38-843a-c156f2415e8b>

capacity. US imports of Indian panels and cells surpassed US\$ 1.8 bn last year, up from about US\$ 250 mn the year before, according to Bloomberg.

EU decides on countervailing duties on EV imports from China

The member countries of the European Union voted on October 4, 2024 and decided by a majority to apply countervailing duties on China-made electric vehicles (EVs). Ten EU member states voted for the tariffs, while five voted against and twelve abstained, revealing divisions and hesitancy within the bloc on this issue. Countries opposing the move included Germany, Hungary, Malta, Slovakia and Slovenia. Ranging from 7.8 percent to 35.3 percent, the new tariffs will come on top of a 10 percent normal duty. The duties come into effect on October 31, 2024 unless continuing talks can find an amicable solution. A Chinese Commerce Ministry spokesperson said that China firmly opposed the EU move as unfair, non-compliant, and unreasonable protectionist policies in this case.

Analysts of the vote¹² said that when it came to both the political will to confront Beijing over its malign practices and Europe's economic exposure to the Chinese market, EU member states varied widely. Germany led a small camp of member states opposed to the tariffs, many of them with significant export dependencies in auto sector supply chains. But the twelve abstentions in the vote also showed that the picture and posturing among member states is much more mixed. Spain, a key target of China's threat to levy pork tariffs, flipped its position right after Spanish Prime Minister Pedro Sánchez met President Xi Jin Ping in Beijing on September 9, and ultimately voted to abstain, a shift from its informal, non-binding "yes" vote on July 15.

China retaliates with duties on brandy from the EU

Within a few days after the EU decision on electric vehicles, China announced that it will impose provisional anti-dumping duties on imports of brandy from the EU. The move mainly targets French luxury cognac brands, after France was seen as a primary supporter behind the EU move to impose duties on Chinese EVs. China's Commerce Ministry said that brandy imports threaten 'substantial damage' to its own producers.

¹² <https://ecfr.eu/article/divided-we-stand-the-eu-votes-on-chinese-electric-vehicle-tariffs/>

EU launches dumping investigation against plywood coming from China

The EU is launching an anti-dumping investigation into plywood imports from China because of a rise in cheap hardwood plywood that is believed to come from Russia. The EU has already imposed tariffs on birch plywood from Kazakhstan and Turkey due to the presence of Russian materials. The EU banned Russian wood imports after the Ukraine conflict began in February, 2022. The main EU producers of plywood are in Poland, Finland, France and the Baltic states.

Indonesia moves to curb Chinese e-commerce firm Temu

The Indonesian government has reportedly asked Google and Apple to block the Chinese e-commerce firm 'TEMU' from their local app stores, concerned about the economic impact of its consumer-to-factory model¹³. The Indonesian minister for communications and IT, Budi Arie Setiadi, said that TEMU, which connects consumers directly with factories in China, and which is also underpinned by a ruthlessly optimised China-centric logistics network, was a form of 'unhealthy competition'. Budi added that the government plans to request a similar block for the Chinese shopping service 'Shein' which operates a similar direct-to-consumer model.

Last year, the Indonesian government banned e-commerce transactions on social media platforms, a move that was widely seen as a response to the sudden popularity of Tik Tok Shop, an e-commerce platform run by the Chinese video-sharing app. Tik Tok subsequently complied with the law and closed its e-commerce operations.

Indonesia places restrictions on local sale of iPhone 16

Indonesia has restricted¹⁴ the sale of Apple's newly released iPhone 16 due to the tech company's failure to meet local production requirements, according to the nation's industry ministry. Apple's current operations have apparently yet to satisfy the ministry's requirement that 40 per cent of components for imported devices be sourced locally. To reach this threshold, Apple would need to both increase investments in local manufacturing and integrate Indonesian-sourced materials in iPhone production,

¹³ <https://thediplomat.com/2024/10/indonesia-asks-apple-google-to-block-chinese-e-commerce-app-temu/>

¹⁴ https://www.business-standard.com/technology/tech-news/apple-iphone-16-sales-blocked-in-indonesia-due-to-local-parts-regulation-124102801057_1.html



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