



Delhi Policy Group

Advancing India's Rise as a Leading Power



ECONOMIC SECURITY AND RESILIENCE REVIEW

JUNE 2024

Author

V.S. Seshadri



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

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ABOUT US

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Author

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

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Cover Images:

PM Modi participates in outreach session of 50th G7 Summit in Apulia, Italy on June 14, 2024.

(Source: [PM India/Official Website](#))

External Affairs Minister Dr. S. Jaishankar met Mr. Jake Sullivan, National Security Advisor of USA in New Delhi on June 17, 2024. (Source: [Dr. Jaishankar/Official X Account](#))

Premier of the State Council Li Qiang co-chaired the 9th China-Australia Annual Leaders' Meeting with Australian Prime Minister Anthony Albanese at the Parliament House in Canberra on June 17, 2024. (Source: [Ministry of Foreign Affairs of the Republic of China/Official Website](#))

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Economic Security and Resilience Review

by

V. S. Seshadri

Introduction

This month's ESRR begins with a review of the Singapore ministerial meeting of the Indo-Pacific Economic Framework for Prosperity (IPEF) that was held on June 6, 2024. What is becoming evident is that IPEF is charting new pathways for cooperation among its 14 members, including India, in promoting supply chains and clean economy, unlike a typical trade agreement focussed on rule making. The successful holding of the Clean Investor Forum alongside the IPEF meeting was a particular highlight.

US National Security Advisor Jake Sullivan visited India for a review meeting of the bilateral initiative for critical and emerging technologies (iCET). We track the significant progress made by the initiative, with the two governments, their industry and the academia working together in key technology sectors including space, defence, semiconductors, advanced telecom, AI, quantum, biotechnology and clean energy.

The annual World Investment Report 2024 was released by UNCTAD on June 20, presenting world investment trends for the year 2023. While global FDI flows declined overall by 2% during the year compared to 2022, the fall of FDI inflows into India was far more substantial at 43%, clearly indicating that much more efforts are necessary to attract greater levels of FDI into the country.

Criticism of China's economic policies and practices was quite pointed and specific at the G-7 summit held in Apulia, Italy from June 13-15, 2024, in comparison with the Hiroshima G-7 summit last year. The summit also elaborated on the required trade toolkit to adequately deal with these concerns. PM Narendra Modi attended the Apulia summit as an outreach invitee, underlining the importance of sharing the benefits of technology with all sections of society.

Noteworthy during the month was also the announcement by the EU of the provisional application of countervailing duties of up to 38.1% on electric vehicle imports from China. Negotiations between the EU and China are currently underway to resolve this matter, even as China also retaliated in the interim by announcing a probe on imports of pork from the EU into China,

further to the probe it is already undertaking on cognac imports from the EU. Meanwhile, Canada too has announced consultations to examine China's trade practices in the electric vehicle sector.

As part of US efforts to rally its allies and partners for greater cooperation in strategic technology sectors and building trustworthy supply chains, the US-Japan-ROK trilateral meeting of trade and industry ministers was held in Washington D.C. on June 26, 2024. Subsequently, they were also joined by the EU Commission Vice President Margrethe Vestager for a similar discussion.

China took steps to strengthen and showcase its growing economic ties with countries in the region. We cover the Chinese Vice Premier Li Qiang's visits to New Zealand, Australia and Malaysia from June 13-20, 2024 that were marked by both substance and strategic messaging.

Other developments covered in this ESRR include the critical mineral related initiatives announced by India, China's launch of the third phase of its semiconductor fund, also called the Big Fund, and Chinese PM Li's remarks at the WEF meeting in Dalian, China.

IPEF holds its ministerial meeting in Singapore

In the two years since its first announcement in May 2022, the Indo-Pacific Economic framework for Prosperity (IPEF) initiative has come a long way, while also demonstrating that unlike a typical trade agreement, it is really a facilitating framework for meeting current supply chain and climate challenges through cooperation among its partners, while encouraging the private sector to keep in step. This was evident at the IPEF ministerial meeting held in Singapore on June 6, 2024 which was attended by an Indian delegation led by Commerce Secretary Sunil Barthwal. While all the other thirteen ministers signed at the meeting the already finalised agreements for the clean economy and fair economy pillars, as well as the overarching agreement on the IPEF, India did not formally sign these documents as the internal approval processes were still underway after the formation of the new government¹.

In his intervention, Mr. Barthwal spoke about the substantial progress made on the establishment of the three cooperative bodies under the IPEF's supply chain pillar, and also about the initiatives taken by India aimed at becoming a major player in the global supply chain. On the clean economy pillar, Mr. Barthwal welcomed the common work programmes designed to facilitate the objectives of clean energy transition. At India's instance, the meeting also agreed to add

¹ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2023211>

'e-waste urban mining' as another area that will help development of solutions for efficient recovery and recycling of materials, critical minerals and metals. Two other areas added at the meeting to the common work programme list were emissions intensity accounting and small modular reactors, in addition to those already agreed which were hydrogen, clean electricity, carbon markets, just transition and sustainable aviation fuel.

Following the ministerial, an IPEF Clean Investor Forum was held on June 6 which brought together 300 participants from the region's investors, project proponents, start-up entrepreneurs and senior government officials. The Forum is intended to mobilise financing for development and deployment of clean energy and climate friendly infrastructure and technologies in the IPEF economies.

A total of 69 sustainable infrastructure projects amounting to over US\$ 69 bn were identified at the investor forum. Of these, 20 projects deemed investment ready valued at US\$ 6bn were presented to investors at business matching sessions. In addition, 49 climate technology start-ups sought to raise US\$ 2 bn in new investments.

Four Indian companies pitched their concepts under the climate infrastructure track before the global investor community. Additionally, ten Indian start-ups also presented their proposals. Under the Upskilling initiative, it was noted at the meeting, 14 participating US companies and the Asia Foundation provided 10.9 million in upskilling opportunities in IPEF partners primarily for women and girls in the last two years, of which India received 4 million.

As for the next steps, the three supply chain committees are to meet virtually in July and in person in September this year in Washington D.C.. The next ministerial of the IPEF is to be held virtually in September, and will work towards holding the first IPEF Council and Joint Commission meetings in April next year.

US NSA Sullivan visits India for the iCET review meeting

Shortly after the formation of the new government in India, US National Security Adviser Jake Sullivan visited India from June 17-18 for a review meeting of the bilateral Initiative on Critical and Emerging Technologies (iCET) with his Indian counterpart. During his visit, he also called on PM Modi, apart from holding discussions with EAM Dr. S. Jaishankar and India's NSA Ajit Doval.

The fact sheet released after the review meeting co-chaired by Sullivan and Doval noted the significant strides made by the two countries toward deepening and expanding strategic cooperation across key technology sectors including space, semiconductors, defence, advanced telecommunications, artificial intelligence, quantum, biotechnology, and clean energy².

In setting the vision for the future for iCET, the two sides committed to efforts on co-production, co-development and R&D. They underscored the vital importance of adapting technology protection toolkits and resolved to prevent the leakage of sensitive and dual-use technologies to countries of concern. Also highlighted was addressing long standing barriers to bilateral strategic trade, technology and industrial cooperation, including in the commercial and civil space sector.

Furthermore, the two sides identified the following eight areas for particular focus, detailing also specific activities that will be pursued under each one of them with collaboration extending across the two governments, industry and academia:

- Bridging the two innovation systems including unlocking a combined US \$90+ million in U.S. and Indian government funding over the next five years for the India-U.S. Global Challenges Institute;
- Reaching new heights in civilian and defence space cooperation that include securing a carrier for the first-ever joint effort between NASA and ISRO astronauts at the International Space Station and preparing for the launch of the NASA-ISRO Synthetic Aperture Radar;
- Deepening defence innovation and industrial cooperation including in the co-production initiatives outlined in the India-US Roadmap for defence industrial cooperation;
- Pursuing advanced telecommunication opportunities including ongoing 5G and 6G R&D Task Force collaboration and promoting Open RAN technologies;
- Combining capabilities in biotechnology and bio-manufacturing including developing a joint strategic framework for building biopharmaceutical supply chain optimization to strengthen global supply chains and reduce dependencies on single-source suppliers;
- Securing semiconductor supply chains including expanding engagement with Indian and U.S. investors in the semiconductor industry in India and launching a new strategic semiconductor partnership between General

² <https://www.mea.gov.in/Images/jfactsheet.pdf>

Atomics and 3rdiTech to co-develop semiconductor design and manufacturing for precision-guided ammunition;

- Building a clean energy and critical minerals partnership including concluding a bilateral Critical Minerals MOU between the U.S. Department of Commerce and the Indian Ministry of Commerce and Industry and the Ministry of Mines, and driving additional areas of cooperation in critical mineral supply chains such as for graphite, gallium, and germanium
- Pursuing Quantum, AI, and high performance computing collaboration including though launching a workshop on post-quantum cryptography at the University of California and expanding cooperation in quantum communication, post quantum migration and security and digital twins.

In addition to the iCET review meeting, Doval and Sullivan convened an industry roundtable that brought together CEOs and thought leaders from both countries. Doval highlighted the progress made across the defence innovation roadmap and start-ups and stressed the importance of the semiconductor industry. Sullivan said that the idea of iCET was for the US and India to support each other and encourage greater collaboration in the technology ecosystem, jointly innovate and find solutions to challenges.

Since its inception in May 2022 and the first iCET review meeting held in January 2023, it has been clear that the contours of the initiative hold great promise. After the second iCET review meeting it can be said that the activities listed under each of the eight broad areas indicate significant scope and clear direction. That it brings together key agencies and players in the two governments, the academia and industry at senior levels, further indicates the importance attached by both sides to the initiative. With foundational linkages now made, the stage looks set for specific outputs to emerge and push implementation.

India's Mines ministry kicks off several mineral initiatives

The Union Minister for Coal and Mines, G. Kishan Reddy, launched the fourth tranche of auction³ of critical and strategic minerals comprising 21 blocks on June 24, 2024. As part of the event, the Minister also announced the names of the companies that were successful bidders for the six blocks put up for auction at the first tranche, which included four blocks for graphite, one block for phosphorite and another for lithium and rare earth elements.

³ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2028356>

Further, the Union Minister announced a scheme for partial reimbursement of exploration expenses of the exploration license holders up to 50% of the cost, subject to an upper limit of Rs. 20 crores. In this regard, a total of 20 blocks have been handed over to different states for issue of exploration licenses. This scheme of partial reimbursement is intended to encourage smaller mining companies to participate in the auction of exploration licenses, towards building the exploration ecosystem in the country.

Finally, the Minister also announced that the first tranche of auction of offshore mineral blocks will take place within the first hundred days of the new government.

World Investment Report 2024 released

UNCTAD released the annual World Investment Report for 2024 on June 20. Highlights of relevance for the ESRR are summarised below⁴:

- During the year 2023 global FDI fell by 2% to US\$ 1.3 trillion amidst economic slowdown and geopolitical tensions. While FDI flows into developed countries increased by 9% those into developing countries declined by 7%. A positive aspect for developing countries was that greenfield projects increased by 15%, with South East Asia accounting for more than half of them. Manufacturing projects by Chinese firms were a big contributor in this regard.
- FDI flows into India declined substantially to US\$ 28.16 bn in 2023, a decline of 43% compared to the figure for 2022, and a steep decline compared to the peak of US\$ 64.1 bn received in 2020. Outward FDI flows from India to third countries stood at US\$ 13.3 bn in 2023, a decline of 8.7% compared to the previous year. At a time when world investment flows show shrinking trends, India may have to strive harder for attracting greater levels of FDI.
- Within Asia, FDI inflows into South East Asia held steady but countries like Indonesia, Malaysia and Thailand witnessed declines, while inflows into Singapore and Vietnam witnessed increases. China itself witnessed a decline by 13.7% to US\$ 163.25 bn.
- From an economic security standpoint, noteworthy is the steady increase in investment screening measures by destination countries. Furthermore, transactions that underwent screening on national security grounds included a variety of sectors including defence and security, energy and utilities, critical infrastructure, automotives, financial services, healthcare and pharmaceuticals, electronics and semiconductors, media,

⁴ <https://unctad.org/publication/world-investment-report-2024>

communications and internet services and mining. Also, collectively, countries that conduct FDI screening for national security now account for more than half of global FDI and three quarters of FDI stock.

- As for monitoring and regulation of outward FDI flows, the report notes that the US introduced an executive order aimed at scrutinising investments in key national security technologies in August 2023 and the EU has also proposed a framework to monitor outbound investment in critical sectors such as advanced semiconductors and biotechnology.

EU announces provisional countervailing duties on BEVs

The EU Commission, following the investigations it launched in October 2023, concluded⁵ on June 12, 2024 that the battery electric vehicle (BEV) chain in China benefits from unfair subsidisation which is causing injury to the EU's BEV producers. The Commission has, therefore, announced a provisional countervailing duty that will be introduced from July 4, 2024 if discussions with China do not lead to an effective solution. Individual duties imposed on the three sampled producers ranged from 17.4% for BYD, 20% for Geely and 38.1% for SAIC. The BEV producers that did not cooperate in the investigation will be subject to the residual duty of 38.1%. While China has strongly opposed the move, calling it a 'naked protectionist act', discussions are underway, particularly at the instance of Germany, to see if a negotiated solution can be reached. German car producers are particularly worried that the move could affect their business prospects in the China auto market.

Canada announces consultations to examine China's trade practices in the EV sector

After moves made by the US and the EU on EV imports from China, the Deputy Prime Minister and Finance Minister of Canada Chrystia Freeland announced⁶ on June 24 a 30-day consultation period beginning July 2, 2024 to examine Chinese practices in the EV sector. The potential policy actions that the consultations may cover include: a surtax on imports of Chinese EVs under section 53 of the Canadian Customs Tariff; changes to which cars are eligible for the existing federal Incentives for Zero-Emission Vehicles program; and potentially broader investment restrictions in Canada. She added that Canada

⁵ https://ec.europa.eu/commission/presscorner/detail/en/ip_24_3231

⁶ <https://www.canada.ca/en/department-finance/news/2024/06/remarks-by-the-deputy-prime-minister-announcing-a-consultation-to-protect-canadian-workers-and-electric-vehicle-supply-chains-from-unfair-chinese-t.html>

acts in concert with its allies in the US and the EU whose own tariffs on Chinese EVs will be coming into effect later in the year.

Freeland stated that Canada auto workers and the auto sector were facing unfair competition from China's intentional state directed policy of overcapacity that is undermining Canada EV sector's ability to compete in domestic and global markets. She further stated that China's oversupply of EVs cannot be absorbed by the Chinese market and is being shipped abroad where it 'undermines EV producers around the world'. She further hinted that the consultations will also look at labour standards and the threats to cyber security and data security.

G-7 Apulia Summit makes pointed criticism against China practices

Unlike the Hiroshima G-7 summit held last year, the joint communique⁷ issued by the G-7 summit held this year from June 13-15 in Apulia, Italy was far more specific and critical about China's non-market and other coercive economic policies and practices. The Hiroshima summit did issue a separate statement on 'Economic Resilience and Economic Security' last year, but did not mention China by name. The main Hiroshima communique itself had specifically named China in only two paras in the section on 'Regional Affairs', which were more in the form of calling upon China to engage with the G-7 and other international fora to address the several underlying issues.

Critical references to China in the Apulia communique, however, were numerous (as per China's 'Global Times', more than 20), with the leaders expressing their "concerns about China's persistent industrial targeting and comprehensive non-market policies and practices that were leading to global spillovers, market distortions and harmful overcapacity in a growing range of sectors undermining our workers, industries, economic resilience and security". While noting that G-7 countries were not decoupling or turning inwards, the G-7 leaders averred that they were de-risking and diversifying supply chains where necessary and appropriate, and were also fostering resilience to economic coercion. The communique further called on China to refrain from adopting export control measures, particularly on critical minerals, that could lead to significant global supply chain disruptions.

⁷ <https://www.whitehouse.gov/briefing-room/statements-releases/2024/06/14/g7-leaders-statement-8/>

The communique further talked about the G-7 ensuring that their economic security toolkits were fit for taking necessary action. Each element of the toolkit, listed below, were also dwelt upon in some detail in the Communique:

- Monitoring non-market policies and practices and overcapacity;
- Work together to deal with threats to weaponise economic dependence and economic coercion;
- Strengthen existing multilateral research security and integrity and work to prevent covert and forced transfer of intellectual property, data, and sensitive technology;
- Assess risks posed by exports of rapidly advancing dual use technologies;
- Ensure effectiveness of foreign investment screening;
- Address risks from outbound investments;
- Ensure highest standards for sensitive data protection and security including genomic data;
- Safeguard dual use biotechnology items and equipment.

India's Prime Minister Narendra Modi attended the summit as an invitee. In his statement at the G-7 summit outreach session, he inter alia emphasised the important role of technology and appealed for collectively ensuring that the benefits of technology reached all sections of society. Monopoly of technology, he said, needed to be converted into mass usage. He further emphasised the importance of international governance of Artificial Intelligence and stated that India will continue to work together with all countries to make AI transparent, fair, secure, accessible and responsible⁸.

US, Japan and ROK hold trilateral ministerial

As a follow up to the Camp David trilateral summit of the US, Japan and the Republic of Korea held in August 2023, the US Secretary of Commerce Gina Raimondo, the Japanese Minister for Economy, Trade and Industry Saito Ken, and the Minister for Trade, Industry and Energy of the Republic of Korea Ahn Duk Geun, held the inaugural meeting of the trade and industry trilateral in Washington D.C. on June 26, 2024. Following their discussions, they resolved⁹ to focus their joint efforts on a set of strategic areas that included semiconductors, clean energy, critical minerals, export controls, AI,

⁸ https://www.mea.gov.in/press-releases.htm?dtl/37873/Prime_Minister_participates_in_the_Outreach_session_on_Artificial_Intelligence_and_Energy_Africa_and_the_Mediterranean_at_the_G7_Summit

⁹ <https://www.commerce.gov/news/press-releases/2024/06/joint-statement-japan-republic-korea-united-states-commerce-and>

cybersecurity, standards and the IPEF. They conveyed their shared interest to leverage their trilateral mechanism to promote the development of critical and emerging technologies and strengthening the resiliency of their economies. In so doing they also underscored the need to promote the principles on resilient and reliable supply chains, as agreed among the G-7, namely, transparency, diversification, security, sustainability and trustworthiness and reliability.

The three ministers were joined subsequently by the EU Vice President Margrethe Vestager, when they again dwelt on the importance of trustworthy supply chains in key sectors. They also reportedly discussed shared concerns regarding the potential for non-market policies and practices to distort markets¹⁰.

Separate bilateral ministerial meetings were also held between the US and Japan and the US and ROK. What is noteworthy from these meetings is the lead the US is taking in bringing about a broad alignment of the approaches being taken by its allies and partners towards development of CET and in ensuring supply chain resilience.

China launches anti-dumping probe against imported EU pork

China launched an anti-dumping probe on June 17, 2024, into imported pork items from the EU, which included pork offal and other pig related products. The EU Chamber of Commerce termed the EU's pork investigation as Beijing's retaliation for the countervailing duties imposed on Chinese EV imports into the EU. It will be recalled that China had earlier also launched an anti-dumping probe on imports of cognac from the EU in January this year, after the EU investigation against Chinese EV subsidisation was announced in October last year.

A Chinese Commerce Ministry official said the probe on pork was initiated following a formal complaint by a domestic industry group, the China Animal Agriculture Association. The complaint accused the EU's pork industry of creating overcapacity and benefitting from large subsidies which it said had affected China's domestic pork industry. As per reports, the wording of the application and its references to overcapacity mirrored similar charges from western officials on China's electric vehicle and solar exports.

¹⁰ <https://www.commerce.gov/news/press-releases/2024/06/readout-us-eu-japan-republic-korea-ministerial-meeting>

The EU members who will be mainly affected by the Chinese AD probe will be Spain, France, Netherlands and Denmark, who together exported about Euro 3 bn of pork to China in 2023.

Chinese PM Li Qiang undertakes visits to New Zealand, Australia and Malaysia

China's Premier Li Qiang undertook a significant week long visit covering three countries - New Zealand, Australia, and Malaysia - apparently aimed at showcasing and strengthening China's strategic and economic ties with these countries at a time when China is under pressure from the West. With two of them - Malaysia and New Zealand, both lauded by PM Li as models of bilateral cooperation with China for mutual benefit - the visit appeared aimed at consolidating the already existing strong bilateral economic linkages. As for Australia, it was intended to get the relations 'back on track', a process that seems to be making progress on the trade side for some months now, after the bruising stand-off that arose between the two countries about the origins of COVID and the consequent restrictions that China imposed on over US\$ 20 bn of Australian imports.

In New Zealand, the first stop from June 13-15 2024, the visit resulted in giving a go ahead to services negotiations under the New Zealand - China FTA, finalisation of an export plan for New Zealand to export kiwi berries to China, and a cooperation arrangement on infant formula that is already a significant export item of New Zealand to China¹¹. New Zealand's overall goods exports to China already account for around 30% of the country's overall exports and the moves on kiwi berry and infant formula should help further. New Zealand's imports from China add up to 20% of its total imports.

In Australia, there were no significant new measures announced¹² with most of the trade restrictions imposed already removed (except for lobsters). China already accounts for around 32.5% of Australia's total goods and services exports. However, the two sides did sign MOUs on enhancing the implementation of their bilateral FTA and another on standards.

In Malaysia, the two sides concluded agreements¹³ in 14 areas, inter alia covering a 5-year economic and trade cooperation plan for 2024-28, an SPS

¹¹ https://english.www.gov.cn/news/202406/13/content_WS666afbdcc6d0868f4e8e814e.html

¹² https://english.www.gov.cn/news/202406/13/content_WS666afbdcc6d0868f4e8e814e.html

¹³ <https://www.kln.gov.my/web/guest/-/joint-statement-between-the-people-s-republic-of-china-and-malaysia-on-deepening-the-comprehensive-strategic-partnership-towards-china-malaysia->

countries also appear to have raised any issue about China's 'non-market' policies, its overcapacities or subsidies, that found prominent mention at the recent G-7 summit. Indeed, at a joint business event in Kuala Lumpur in the presence of PM Li, Malaysian Prime Minister Anwar Ibrahim called China 'a true friend' and rebuked the 'incessant propaganda that we should cast aspersions and fear the dominance of China economically, militarily, technologically'.

China launches third phase of its semiconductor fund

China has launched¹⁴ its third phase of its National Integrated Circuit Industry Investment Fund, commonly known as the Big Fund, with an investment of US\$ 47.5 bn. The first phase of the Fund began in the year 2014, assisting companies like the Semiconductor Manufacturing International Corporation (SMIC) and Hua Hong Semiconductors. The second phase that commenced in 2019 focussed on more specialised segments of the supply chain, including etching machines and testing equipment. The third phase is to address both the entire semiconductor supply chains and specific critical areas, including the development of large semiconductor manufacturing plants and essential components like high bandwidth memory. Additionally, the fund will now prioritise advanced chip technologies for artificial intelligence. The Central Science and Technology Commission, a new communist party coordinating body, will oversee the fund activities. The duration of the fund has been extended to 15 years starting from May 24, 2024.

Chinese PM Li Qiang criticises moves toward decoupling

Chinese Premier Li Qiang, in his opening address at the 15th annual meeting hosted by the World Economic Forum in Dalian, China on June 25, criticised¹⁵, without naming any country, certain moves underway to decouple, disrupt supply chains and erect export controls. He stated that "maximizing one's own benefits at the expense of others' interests, or resorting to regressive actions of decoupling, disrupting supply chains and building small yards with high fences would only push up operational costs, sever the economic links between regions and aggravate tensions and disputes".

¹⁴ <https://thediplomat.com/2024/06/chinas-big-fund-3-0-xis-boldest-gamble-yet-for-chip-supremacy/>

¹⁵ <https://www.weforum.org/agenda/2024/06/address-by-china-premier-li-qiang-to-the-annual-meeting-of-new-champions/#:~:text=At%20the%20macro%20level%2C%20we,from%20blue%20to%20red%20oceans.>

Premier Li also claimed in his speech that renewable energy now accounted for over 50 percent of China's total installed capacity. He further stated that electric vehicles, lithium batteries and photovoltaic products made by Chinese companies have not only met domestic demand, but also enriched supply in the international market, eased the pressure of inflation worldwide, and contributed to the global climate response. He attributed the rapid rise of China's new industries as being rooted in its unique comparative advantages



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

www.delhipolicygroup.org