



Delhi Policy Group

Advancing India's Rise as a Leading Power



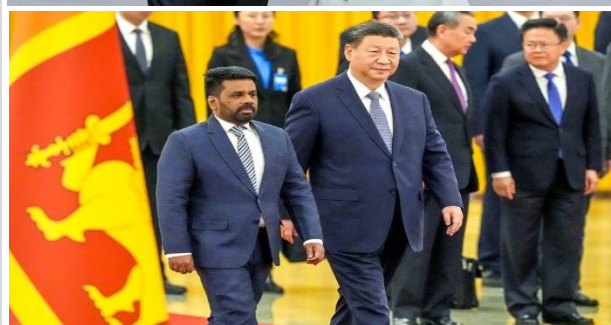
ECONOMIC SECURITY AND RESILIENCE REVIEW JANUARY 2025

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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.

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

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

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Cover Images:

Donald Trump was sworn in as the 47th President of the United States on January 20, 2025. Source: [X/DrSJaishankar](#)

Prabowo Subianto paid a state visit to India from 23-26 January 2025 and attended the celebrations of the 76th Republic Day as the Chief Guest. Source: [X/@prabowo](#)

On January 14, 2025, President Anura Kumara Disanayake of Sri Lanka commenced a four-day state visit to China at the invitation of President Xi Jinping. Source: [X/@anuradisnayake](#)

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Economic Security and Resilience Review

by

V. S. Seshadri

Introduction

This month's ESRR begins with a focus on US President Donald Trump's inaugural address on January 20, and the several executive orders he issued on the same day. Some of these have kicked off an investigative process for his Cabinet members to follow up and make recommendations, which could potentially bring about sweeping changes to the global trade and economic security environment and may also impact India.

President Trump and PM Modi held a telephone conversation on January 27, 2025 which was in the spirit of expanding and deepening cooperation between the two countries. A visit by PM Modi to Washington DC was also discussed.

This issue also draws attention to the trade restrictive measures taken by President Biden during his last weeks in office, some of which could affect India. These include the widening of US sanctions against Russian oil and gas exports and new export restrictions on advanced semiconductor chips that have AI applications.

China retaliated to some of the restrictive measures imposed in the last several months by the US on semiconductor chips by launching anti-dumping and subsidy investigations against US chip exports. China is also reportedly restraining export of machinery and movement of factory personnel to India after seeing the success of iPhone making in India.

India's Minister for Commerce and Industry, Piyush Goyal, paid a visit to Brussels during the month and held discussions with the new EU Commissioner for Trade and Economic Security, Maros Sefcovic, at a time when the bilateral FTA negotiations appeared to have stalled. The two ministers gave fresh political directions to the two negotiating teams to develop a mutually beneficial agenda for trade and investment and a robust FTA. In this regard, it is interesting to note that the new EU Commission, after finalising its FTA with MERCOSUR in the month of December, has also moved to conclude FTA negotiations with Mexico on January 17, 2025.

Some developments in the area of critical minerals are worthy of note. Firstly, the Indian government has announced a new National Critical Minerals

Mission that consolidates all the several legislative and other exploratory initiatives taken in recent years with also some new financial outlays for developing this sector. Secondly, a recent joint US-Norway report on critical minerals tracks non-market economy policies and practices followed particularly by China that has led to market concentration and vulnerabilities in this sector. The report concludes that absent action by market economies the concentration is likely to continue or grow even further.

Finally, this issue of ESRR reviews the outcomes of the state visit of Indonesian President Prabowo Subianto to India, and visit to China by Sri Lankan President Dissanayaka.

President Trump's work plan on trade and economic security

President Trump's inaugural address on January 20, 2025 outlined, inter alia, the key elements and priorities that would define his "America First" agenda in respect of trade and economic matters¹. These included:

- Re-establishing America as a manufacturing nation;
- Further strengthen oil and gas production and their global exports;
- End the Green New Deal, revoke the electric vehicle mandate, preserve the US auto industry and build automobiles in America;
- Begin the overhaul of the trade system and protect American workers and families through tariffs and tax of other countries;
- Establish a new External Revenue Service to collect all tariffs, duties and revenues; and
- Establish a new Department of Government Efficiency.

These preannouncements were followed up on the first day of the Presidency itself with numerous Executive Orders. Of particular relevance to this ESRR is the issuance of the memorandum on a "**America First Trade Policy**", tasking his Cabinet members and other senior colleagues in the incoming administration to provide their considered assessments and recommendations in specific areas that will enable him to take appropriate decisions. These covered trade and investment matters, economic and trade relations with China, and economic security issues as outlined below, and are required to be submitted to him by April 1. Those that may have direct implications for India are highlighted in bold.

¹ <https://www.whitehouse.gov/presidential-actions/2025/01/america-first-trade-policy/>

Trade and Investment Policy matters

- a) **Investigate** the causes for the US's large and persistent trade deficits in goods as well as the economic and national security implications and risks from such deficits and **recommend appropriate measures** such as **global supplemental tariffs or other policies**;
- b) Investigate how to create an External Revenue Service to collect tariff revenues;
- c) Review of 'any unfair trade practices' by other countries, and of existing trade agreements and sectoral trade agreements, and recommend any revisions;
- D. **Identify countries with which the US can negotiate (new) agreements on a bilateral or sector specific basis to obtain export market access and make recommendations regarding such potential agreements**;
- e) Start a public consultation process with respect to the US-Mexico-Canada agreement in preparation for the July 2026 review of the USMCA, and additionally assess the impact of USMCA on workers, farmers, US businesses etc.;
- f) Assess the policies and practices of major US trading partners with respect to the rate of exchange between their currencies and the US dollar, and identify countries that should be designated as currency manipulators;
- g) Assess loss of tariff revenues and risks from importing counterfeit products and contraband drugs, eg., fentanyl;
- h) Investigate **US citizens being subjected by any foreign country to discriminatory or extra territorial taxes**;
- i) Identify the impact of all trade agreements, including the WTO Government procurement agreement, on the volume of federal procurement.

Economic and Trade Relations with China

- A. Review the Phase-1 deal with China, and whether China is acting in accordance with this agreement. Consider potential additional tariff modifications as needed, particularly with respect to the industrial chains and **circumvention through third countries**;
- B. Investigate other acts and policies and practices by China that may be unreasonable or discriminatory;
- C. Assess legislative proposals regarding permanent normal trade relations with China and make recommendations regarding any proposed changes to such legislative proposals;

- D. Assess the status of US IPRs such as patents, copyrights and trademarks conferred upon Chinese persons, and make recommendations to ensure reciprocal and balanced treatment of IPRs with China.

Economic and national security related matters

- A. Conduct a full economic and security review of the US's industrial and manufacturing base to assess whether it is necessary to initiate investigations to adjust imports that threaten US national security;
- B. Assessment of the **effectiveness of exclusions, exemptions and other important adjustment measures on steel and aluminium** and to make recommendations;
- C. Review the US export control systems and advise on modifications and elimination of loopholes in the light of developments involving strategic adversaries or geopolitical rivals, as well as other national security and global considerations. The review is to look specifically on how to maintain, obtain and enhance the US's technological edge;
- D. Recommend appropriate action on rulemaking on connected vehicles, and whether controls should extend to more connected products;
- E. Review the outbound investment security programme and recommend potential modifications;
- F. Assess any distorting effect of foreign financial contributions or subsidies on US federal procurement programmes;
- G. **Assess unlawful migration** and fentanyl flows from Canada, Mexico, China and **any other relevant jurisdictions**, and recommend appropriate trade and national security measures.

Other Trump initiatives on the first day of his Presidency

Certain other executive orders issued by President Trump on January 20 may also have significant impact on trade, investment and other economic areas. These include the US withdrawal from the Paris Agreement under the United Nations Framework Convention on Climate Change, and dissociating the US from commitments under the OECD Global Minimum Tax Deal. President Trump has also ordered a review of all foreign assistance programmes. Another order aims to increase US production of critical minerals, including rare earths and uranium.

On Artificial Intelligence (AI), President Trump rescinded President Biden's regulatory order of October 2023 which had provided for a comprehensive federal oversight of AI, emphasizing safety, equity, privacy and national security in the development and deployment of AI. The revocation clearly

reflects a shift in policy focus towards deregulation and minimizing governmental oversight in AI innovation and development.

Assessment of "America First" Trade Policy as unveiled

The foregoing agenda, which contains both specific and catch-all provisions if implemented in full, can have a far reaching impact in terms of the US's trade and economic relations with other countries, including India. This is particularly so if the investigations and assessments are carried out keeping in view the Trump Administration's own perceived notions of balance, reciprocity and economic security, with practically no reference to WTO rules and commitments.

The agenda makes no special allowances for allies or strategic partners. The tone of the memorandum is in the direction of a more restrictive trade policy, be it through tariffs or export controls or overseas investments. It does not talk about de-risking or building resilience in supply chains, or about the Indo-Pacific Economic Framework, whose future appears in doubt since it finds no mention. The agenda also talks about investigation of circumvention by China and the routing of exports through third countries.

The only indication of readiness to some opening is in the task given to the USTR to identify countries with which the US can negotiate agreements on a bilateral or sector-specific basis. Whether any recommendation will actually get made, and whether it will be acted upon, is another matter in view of the prevailing bipartisan allergy in the US towards signing any new FTA. Another area of loosening up is that of AI innovation, where pressure from US big tech companies has resulted in deregulatory action, even as the relevant executive order also calls for an AI Action Plan to sustain and enhance America's AI dominance.

Arising from the foregoing agenda, one can expect a flurry of negotiations and deal making to commence right away in respect of countries keen to limit the damage. This dynamic could get further heightened once the tasked reports are submitted by Cabinet members to President Trump on April 1 this year.

It would be important for India to closely monitor the situation on how third countries are going to be dealing with the issues. During the meeting between India's External Affairs Minister Dr. Jaishankar and the new US Secretary of State Marco Rubio on January 21, 2025, in Washington DC, the latter not only underlined the Trump administration's desire to work with India in advancing economic ties but also the need to address concerns related to irregular migration.

Separately, President Trump, while addressing his domestic audiences or the media, has continued his warnings about imposition of tariffs should the BRICS countries move towards a BRICS currency and away from the US dollar, for use in international trade. He has also called out India (apart from China and Brazil) as a "tremendous tariff-maker".

PM Modi and President Trump have a telephone conversation

President Trump and Prime Minister Modi held a telephone conversation² on January 27, 2025 on expanding and deepening cooperation between the two countries, their first such call after President Trump's inauguration. As per a White House read-out about the call, they discussed a range of issues including security in the Indo-Pacific, the Middle-East and Europe. Further, President Trump emphasised the importance of India increasing its procurement of American made security equipment and moving towards a fair bilateral trading relationship. The two leaders also discussed plans for PM Modi to visit the US, which may take place as early as February, even as this has not been confirmed. Both leaders also emphasised their commitment to advance the US-India strategic partnership and Indo-Pacific Quad partnership, with India hosting the Quad leaders for the first time later this year.

Outgoing Biden administration issues more sanctions and export controls

In the last couple of weeks before the end of President Biden's term, his administration imposed further trade restrictions, some of which could impact India. These are outlined below.

US imposes broadest sanctions on Russian oil industry

The US Treasury announced sweeping actions³ on January 10 against Russia's ability to export oil and gas, a key source of its revenue. These included sanctions on Russian oil and gas companies Gazprom Neft and Surgutneftgas that explore, produce and sell oil, and the 183 vessels that have shipped Russian oil, many of which are in the so called "shadow fleet" of aging tankers operated by non-western companies. The US has also sanctioned two Russia-based maritime insurance providers Ingosstrakh Insurance Co and Alfastrakhovaine Group. These sanctions are likely to make Russian oil and gas exports to Asian

² <https://www.whitehouse.gov/briefings-statements/2025/01/readout-of-president-donald-j-trumps-call-with-prime-minister-modi-of-india/>

³ <https://home.treasury.gov/news/press-releases/jy2777#:~:text=Treasury%2C%20in%20consultation%20with%20the%20Department%20of%20State%2C%20issued%20a,of%20crude%20oil%20and%20other>

customers in India and China far more costly and complex. There is, however, a wind down period up to March 12, which will allow for existing contracts to finish.

US imposes restrictions on AI chip exports

The Biden Administration introduced measures that will restrict the export of chips used for AI applications, with the national security adviser stating; "The rule both provides greater clarity to our international partners and to industry and counters the serious circumvention and related national security risks posed by countries of concern and malicious actors who may seek to use the advanced American technologies against us".

The new measure creates three groups of countries. While it has no restrictions for 18 key allies which have been clubbed under Group 1, there are restrictions on the quantum of such chips that can be exported to about 120 countries under Group 2, which includes India. Under Group 3 are countries comprising China, Russia, Iran, Iraq, Cambodia, Belarus etc., for which exports are prohibited.

The US Chip firm Nvidia however opposed the measure, stating: "While cloaked in the guise of an anti-China measure, these rules would do nothing to enhance US security." The US Semiconductor Industry Association also similarly voiced disappointment⁴.

US includes CATL and Ten Cent in the list of Chinese companies with military links

The US Defense department said on January 6 that it has added Chinese tech giants Ten Cent Holding and battery maker CATL to a list of companies which it said works with the Chinese military⁵. While this does not immediately affect the companies, it could exert pressure on the US Treasury to sanction these companies.

China responds to US moves on Chinese semiconductors

The Chinese government launched an investigation⁶ against US companies on January 15, 2025 for allegedly dumping lower-end chips and for unfairly subsidising its own chipmakers. The probe was begun reportedly at the

⁴ <https://www.ft.com/content/f83f30be-d673-4f00-b9e5-9e9293512010>

⁵ <https://www.reuters.com/world/us-adds-tencent-catl-list-chinese-firms-allegedly-aiding-beijings-military-2025-01-06/>

⁶ https://www.theregister.com/2025/01/17/china_us_chip_subsidies/

instance of complaints from the China Semiconductor Association, which has said that the Biden Administration's CHIPS and Science Act had "seriously violated the basic laws of market economy". The Chinese move came in response to Biden Administration's imposition of tariff increases on all Chinese chip imports in September last year, and a probe into China's mature chip making industry in December 2024.

China restrains export of manufacturing equipment to India

News reports⁷ have indicated that alarmed by the quick progress in Make in India projects, China is trying to scuttle Apple's production in India. Since India is still reliant on China for intermediate goods and the high tech machinery to produce them, these are being withheld. China is virtually halting supplies of capital equipment in sectors such as electronics, and solar panels. The tech media has also reported⁸ that Foxconn was unable to make its Chinese staff travel to its iPhone factories in India, and the Chinese workers already stationed there are being recalled. Foxconn is sending Taiwanese workers instead.

CIM Piyush Goyal holds talks with the EU Commissioner for Trade and Economic Security

India's Minister for Commerce and Industry, Piyush Goyal, held talks with the new EU Commissioner for Trade and Economic Security, Maros Sefcovic, in Brussels on January 18-19, 2025 aimed at setting up a new framework in the area of trade and commerce⁹. It appeared from the separate press releases issued by the two sides that their discussions also led to a better understanding between them on their respective ambitions and sensitivities, particularly in respect of the ongoing negotiations on an India-EU FTA. The two ministers provided political direction to the two negotiating teams to develop a mutually beneficial agenda for trade and investment and a robust FTA.

Union Cabinet approves National Critical Minerals Mission

The Union Cabinet chaired by PM Modi approved¹⁰ the launch of a National Critical Minerals Mission (NCMM) on January 29, 2025. This is a follow up to the announcement made by Smt. Nirmala Sitharaman in the Union Budget for 2024-25 on July 23, 2024. The Mission would involve a government

⁷ <https://economictimes.indiatimes.com/industry/cons-products/electronics/how-china-wants-to-press-pause-on-indias-apple-success-story/articleshow/117232349.cms?from=mdr>

⁸ <https://restofworld.org/2025/china-foxconn-factoriesfoxconn-stops-sending-chinese-workers-to-india-iphone-factories/>

⁹ <https://pib.gov.in/PressReleaseDetailm.aspx?PRID=2094362®=3&lang=1>

¹⁰ <https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2097309>

expenditure of Rs. 16,300 crores and an expected investment of Rs 18,000 crores over a seven year period.

The NCMM will encompass all stages of the value chain including mineral exploration, mining, beneficiation, processing and recovery from end-of-life production. The Mission is to intensify the exploration of critical minerals within the country and in its own offshore areas. It aims to create a fast track regulatory approval process for critical mineral mining projects. Additionally, the mission will offer financial incentives for critical mineral exploration and promote the recovery of these mineral from overburden and tailings. The Mission also aims to encourage Indian PSUs and private sector companies to acquire critical mineral assets abroad and enhance trade with resource rich countries. It further proposes to build stockpiles within the country.

The Mission provides for the setting up of mineral processing parks, and supporting the recycling of critical minerals. It will promote research in critical minerals technologies, and there is a provision for the setting up of a Centre of Excellence on Critical Minerals.

On January 28, PM Modi, while giving the inaugural address during Utkarsh Odisha in Bhubaneswar, said that it was unacceptable that the country exported raw materials and brought in finished products, stressing that value addition must happen in India. He also emphasised the creation of robust supply chains, adding that he did not believe in the trend of extracting minerals and sending them abroad for product manufacturing and value addition, only to have the products return to India.

US-Norway joint report on critical minerals

The US Department of Commerce and the Norwegian Ministry of Trade, Industry and Fisheries issued¹¹ on January 14, 2025, what they termed a "thorough, innovative report" presenting their shared understanding of non-market policies and practices (NMPPs) of certain third parties that may distort critical minerals markets.

The NMPP report provides an overview of minerals supply chains in the US and Norway, and how the NMPPs are impacting minerals markets. It examines in detail how these NMPPs have been employed in the supply chains for rare earth elements, graphite, cobalt, nickel and magnesium, and impacted the markets of these minerals. The report arrives at a telling conclusion that absent action

¹¹ <https://www.commerce.gov/news/press-releases/2025/01/united-states-and-norway-issue-innovative-report-creating-greater>

by market oriented countries, the supply is likely to remain concentrated and vulnerable or become even further concentrated.

The US Assistant Secretary for Commerce and Industry and Analysis, Grant Harris, said that the report should be used to inform action by market oriented economies and industry partners to differentiate markets and strengthen these vital supply chains.

Political negotiations conclude on a modernised Global Agreement between the EU and Mexico

After concluding its long pending negotiations for a free trade agreement with MERCOSUR in the previous month of December, the EU has also now concluded¹², on January 17, 2025, modernisation of what is termed as a "Global Agreement" Mexico.

As per the EU Commission, the trade pillar will substantially boost the already thriving trade relationship. EU-Mexico trade in goods reached Euro 82 bn in 2023, while two-way services trade reached Euro 22 bn in 2022, making Mexico the EU's second largest trading partner in Latin America.

It has further been mentioned that the agreement will strengthen the supply chain of local critical raw materials, while improving the competitiveness of European industry. It also includes a comprehensive trade and sustainable development chapter which sets legally binding commitments on labour rights, environmental protection, climate change and responsible business conduct.

Indonesian President Prabowo visits India

The Indonesian President Prabowo Subianto paid a state visit to India from January 23-26, 2025 and was also the Chief Guest at the celebrations to mark India's 76th Republic Day.

The joint statement issued¹³ on the visit expressed satisfaction on the record high of US\$ 38.8 bn in bilateral trade reached in 2022-23. PM Modi and President Prabowo called for an early meeting of relevant bilateral forums to

¹² https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/mexico/eu-mexico-agreement_en

¹³ <https://www.mea.gov.in/bilateral-documents.htm?dtl/38944/IndiaIndonesia+Joint+Statement+on+the+State+Visit+of+HE+Prabowo+Subianto+President+of+Republic+of+Indonesia+2326+January+2025#:~:text=President%20Prabowo%20thanked%20Prime%20Minister%20Modi%20for%20the%20honour%20of,Indonesia%20on%20mutually%20convenient%20dates.>

resolve outstanding tariff and non-tariff barriers. They welcomed the signing of an MoU on Local Currency Settlement Systems (LCSS) between the Reserve Bank of India and Bank Indonesia in March 2024, and emphasized the importance of its expeditious implementation. They expressed confidence that the usage of local currency for bilateral transactions would further promote trade between India and Indonesia and deepen financial integration between the two economies.

Both sides further indicated interest in joint exploration and mining, particularly relating to critical minerals such as nickel, bauxite, silica, tin etc., with a focus on the downstream sectors. They welcomed India's Bharat Petro Resources Limited's continued interest to partner with Indonesian company Pertamina in the strategic Nunukan Gas Block Project, and agreed to support early execution of the project.

Sri Lankan President Dissanayake visits Beijing

The Sri Lankan President Anura Kumara Dissanayake visited China from January 14-17, 2025 and met with President Xi Jinping, Premier Li Qiang and other Chinese leaders. As per news reports, the two sides signed 15 cooperation agreements, including on economic and technological development and aligning China's BRI with Sri Lanka's 2030 digital economy blueprint. Sri Lanka Foreign Minister Vijitha Herath was quoted saying that Sri Lanka had signed an agreement with Chinese state energy giant Sinopec to fast track a proposed US\$ 3.7 bn oil refinery in its southern port city of Hambantota. Herath also clarified the composition of the \$ 3.7 billion investment which included \$ 1.78 billion in direct investment, \$ 1.53 billion for construction costs (excluding VAT deduction), \$ 68.1 million in construction-related interest, and \$ 181.47 million allocated for working capital. He said the new agreement signed covers critical aspects of the project, including land allocation, water supply, duty concessions, and the portion of refined fuel earmarked for the local market even as some of these aspects are to be finalised soon¹⁴.

The joint statement issued by the two sides¹⁵ on the visit noted that they agreed to advance all major signature projects, including the Colombo port city and Hambantota port integrated development. Sri Lanka conveyed its desire for the early implementation of the debt restructuring plan agreed with Chinese financial institutions, even as the latter's response to this was not made known. The central banks of the two countries have renewed their currency swap

¹⁴ <https://www.ft.lk/front-page/Govt--to-fast-track---3-7-b-Sinopec-oil-refinery/44-772130>

¹⁵ https://www.mfa.gov.cn/eng/xw/zyxw/202501/t20250116_11536637.html



agreement. The two sides have further agreed to work towards the early conclusion of a comprehensive free trade agreement in one package.



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