TRILATERAL IMPERATIVES

JAPAN-INDIA-EU COOPERATION ON ECONOMIC SECURITY

Edited by
Takashi Sekiyama
Jagannath Panda
Tatsuo Shikata

一般財団法人
鹿島平和研究所
Kajima Institute of International Peace

Institute for Security & Development Policy

PENTAGON PRESS

TRILATERAL IMPERATIVES

Japan-India-EU Cooperation on Economic Security

TRILATERAL IMPERATIVES

Japan-India-EU Cooperation on Economic Security

Edited by

Takashi Sekiyama
Jagannath Panda
Tatsuo Shikata

Kajima Institute of International Peace, Japan
&
Institute for Security and Development Policy, Sweden

First published in 2025 by

PENTAGON PRESS LLP
206, Peacock Lane, Shahpur Jat
New Delhi-110049, India
Contact: 011-26490600

Typeset in AGaramond, 11.5 Point
Printed at Aegean Offset Printers, Greater Noida

www.pentagonpress.in

Contents

Foreword

This book or booklet is the result of the third joint research workshop funded by the Institute for Security and Development Policy (ISDP) in Sweden and the Kajima Institute of International Peace (KIIP) in Japan. Previously, the two institutions collaborated on climate change issues in 2022, and on the liberal international order in 2024 (the latter being a tripartite effort including Taiwan's Prospect Foundation). This time, the focus is on the reorganization of global supply chains, particularly in the context of economic security.

In fact, this research workshop is a successor to the one led by Mr. Tatsuo Shikata, organized by the KIIP, which concluded in 2023 and explored how to strengthen Japan-India cooperation. This workshop was launched to address unresolved issues from that previous effort. The Shikata Workshop recognized Japan's strategic pivot toward India in response to China's rise. While security and diplomatic cooperation have steadily progressed through shared goals such as the "Free and Open Indo-Pacific (FOIP)" and frameworks like the Quad (Japan, the U.S., Australia, and India), economic cooperation—particularly in trade and investment—remains limited. Experts in business, economics, politics, and security from both Japan and India gathered to discuss how economic ties could be elevated to match or even surpass those in security and diplomacy, but no definitive solution emerged. Thus, this time, we tackled the issue of reorganizing global supply chains to ensure economic security, a challenge that has intensified due to the deepening U.S.-China rivalry. This effort involves not only Japan but also Europe. The underlying idea is that if Japan alone cannot economically anchor India, then by involving the EU, India might be more firmly integrated into the Quad economically.

Whether this endeavor succeeded is left to the judgment of the reader. However, the establishment of the Trump II administration has made the situation even more difficult. This administration strongly embraces "America First," with isolationist tendencies in domestic policy (immigration restrictions), economic policy (protectionism), and foreign policy (reduced engagement). While it remains wary of China as a security threat, it appears intent on confronting China unilaterally, without relying on the Quad. In short, the foundation of the postwar international order, which has lasted for 80 years, has collapsed. Will this situation change once the Trump II administration ends? I do not believe so. There is no space here to elaborate fully, but in short, the Trump II administration is the political manifestation of the Fifth Great Awakening. Looking back at the previous four Great Awakenings, each lasted an average of 30 years. From this perspective, this book may be considered prophetic, as it attempts—albeit imperfectly—to explore how to survive in a world without the United States.

June 2025

Nobuyuki Hiraizumi
Chairman
Kajima Institute of International Peace
Japan

Preface

The contemporary global landscape is increasingly defined by deepening divisions, driven factors such as the intensifying US-China rivalry and Russia's invasion of Ukraine. In response, European countries are redoubling their efforts to establish secure and resilient supply chains, prioritizing partnerships with nations that share core democratic values. Japan too has embraced this approach. Its 2022 National Security Strategy explicitly outlines a policy of advancing economic security in collaboration with like-minded nations, aiming to uphold and strengthen an international economic order based on free, fair, and equitable rules.

In this context, India is poised to emerge as a significant economic security partner for both Japan and Europe. Set to surpass China as the world's most populous country, India shares foundational values such as freedom, democracy, human rights, and the rule of law with both Europe and Japan. Additionally, India is a key player in the restructuring of global supply chains. Building strong economic ties with India, an increasingly influential democracy with a significant population, is essential for Europe and Japan in pursuing secure and value-aligned partnerships.

At the same time, however, the substantial economic interdependence with China makes it impractical and unrealistic for European countries and Japan to abruptly disengage from Chinese markets or supply chains. Severing economic ties with China would lead to increased costs for a wide range of products and substantial revenue losses for many European and Japanese companies. As such, our position reflects a complex balancing act, which can be characterized by efforts to strengthen ties with the democratic bloc while cautiously managing economic relations with an authoritarian state.

This book is the outcome of a joint effort to examine and address these pressing challenges. It represents the culmination of international collaborative research conducted by the Kajima Institute of International Peace (KIIP), a Japanese policy think tank, and the Institute for Security and Development Policy (ISDP), a Swedish policy research organization. The research, carried out from April 2023, brought together researchers and scholars from Sweden and other European nations, Japan and India. The primary objective was to develop policy recommendations for enhancing economic security cooperation among Japan, India, and Europe.

We hope this book offers a modest yet meaningful intellectual contribution to promoting stability and prosperity in the Indo-Pacific region.

Editors

List of Contributors

Nobuyuki Hiraizumi is the President of the Kajima Institute of International Peace (KIIP), in Japan. He has a BA from Waseda University and an MBA from the University of Virginia and has worked in various positions in Kajima Corp for the past 40 years, including a two-year appointment at Policy Research Institute, Ministry of Finance as Chief Economist. He served as Director of Kajima Corp. between 2012 and 2023.

Takashi Sekiyama is a Professor of International Political Economy at the Graduate School of Advanced Integrated Studies in Human Survivability, Kyoto University. He received his first doctorate in International Politics from Peking University, his second doctorate in International Studies from the University of Tokyo, and his Master's degree in Sustainability Studies from Harvard University. Prior to joining the academic community, Dr. Sekiyama gained extensive policy-making experience at the Ministry of Finance and the Ministry of Foreign Affairs.

Jagannath Panda is the Head of the Stockholm Center for South Asian and Indo-Pacific Affairs (SCSA-IPA) at the Institute for Security and Development Policy (ISDP), Sweden. Dr. Panda is also a Professor at the Department of Regional and Global Studies at the University of Warsaw, and a Senior Fellow at The Hague Center for Strategic Studies in the Netherlands. As a senior expert on East Asia, and Indo-Pacific affairs, Prof. Panda has testified to the US-China Economic and Security Review Commission at the US Congress on 'China and South Asia'. He is the Series Editor for *Routledge Studies on Think Asia*. Dr. Panda is named as one of the Strategic Affairs Thinkers of the Next Decade by *The Print*.

Tatsuo Shikata is a Visiting Researcher at KIIP. He worked for Mitsui & Co., Ltd. for four decades including its overseas offices in New York, Toulon

and Singapore, and he finished the Executive Course of Keio Business School. Since 2015, he has been working at Japanese think-tanks, namely Kajima Institute of International Peace, Japan Institute of International Affairs, and Japan Forum on International Relations. He is currently studying "Future of International Order based on Liberalism" and "Japan/India/EU Cooperation on Economic Security".

Jayant Prasad served as Director General of the Institute of Defence Studies and Analyses, one of the largest Indian public-policy think tanks focused on security, defence and foreign policy issues, from 2015 to 2018. He was the Indian Ambassador to Afghanistan, Algeria, Nepal, and the UN Conference on Disarmament, Geneva. In the Indian foreign office, he served as Special Secretary (Public Diplomacy) and head of the Americas and the Multilateral Economic Relations Divisions. He was Rapporteur of the UN Commission on Human Rights, Geneva (1986-87), Fellow at the Weatherhead Center for International Affairs, Harvard University (1998-99), member of UN Secretary General's Advisory Board on Disarmament Matters (2005-07), and Visiting Scholar, Center for the Advanced Study of India, University of Pennsylvania (2014-15). Before public service, he was a lecturer in history at St. Stephen's College, University of Delhi.

Niklas Swanström is the Director of the Institute for Security and Development Policy, and one of its co-founders. He is a Fellow at the Foreign Policy Institute of the Paul H. Nitze School of Advanced International Studies (SAIS) and a Senior Associate Research Fellow at the Italian Institute for International Political Studies (ISPI). His main areas of expertise are conflict prevention, conflict management and regional cooperation; Chinese foreign policy and security in Northeast Asia; the Belt and Road Initiative, traditional and non-traditional security threats and its effect on regional and national security as well as negotiations. His focus is mainly on Northeast Asia, Central Asia and Southeast Asia.

Maaike Okano-Heijmans is a Senior Research Fellow at the Netherlands Institute for International Relations 'Clingendael' in The Hague, where she leads the 'Geopolitics of Technology and Digitalisation' programme. She is also a Visiting Lecturer in the Master of Science in International Relations and Diplomacy (MIRD) programme of the University of Leiden.

Jelle van den Wijngaard is a Researcher at the Clingendael Institute's EU & Global Affairs Unit, within the 'Geopolitics of Technology and Digitalisation' programme. His research explores competitiveness, complex supply chains, privacy, and security risks, with a keen interest in the societal impact of digitalisation, including AI, Cloud technologies, and social media.

Jun Osawa is a Senior Fellow at Nakasone Peace Institute. He is concurrently a Research Director, Dentsu Soken Center for Economic Security Research; Director, Cyber Situation Analysis Department, IT Security Center, Information-Technology Promotion Agency; Senior Fellow at Sasakawa Peace Foundation; and a board member of Kajima Peace Institute. His research interests include national cybersecurity, strategic assessment, and North-East Asian international security. He joined NPI/IIPS in 1995 as a Research Fellow (1995-2009) and served as a Senior Research Fellow (2009-2014, 2017-2025) before taking his current position. His previous positions include: Senior Fellow of National Security Council) Secretariat (NSS) (2017-2019), Deputy Cabinet Counsellor of National Security (Council) Secretariat (NSS) (2014-2016), visiting fellow, CEAP, Brookings Institution (2013), a visiting scholar at National Graduate Institute for Policy Studies (2011-2016), Policy Planning Researcher and Advisor, Policy Planning Division, Foreign Policy Bureau, Ministry of Foreign Affairs (2007-2009), Analyst, Second Division, Intelligence and Analysis Service, Ministry of Foreign Affairs (2004-2006).

Dattesh D. Parulekar is an Assistant Professor at the School of International and Area Studies (SIAS), Goa University, Goa, India. He specializes in India's Foreign Policy, Strategic Maritime Affairs in the Indo-Pacific, Geopolitics of 'Global South' Geographies, and East Asian and European Security. He is a Visiting Faculty at various National Defense and War Colleges, of the Ministry of Defense (MoD), Govt. of India. Notwithstanding, he is a Visiting Faculty at the Rashtriya Raksha University (RRU), Gujarat, and a Non-Resident Fellow at the Middle East Institute, New Delhi. He is academically associated with think tanks and universities, across South Asia, East Asia, Europe, and Latin America.

Kunihiko Shinoda is a Professor and the Executive Advisor (GRIPS Alliance) at the National Graduate Institute for Policy Studies, Japan. He joined

the Ministry of International Trade and Industry (MITI) in 1988 and was Director (APEC&FTA), Trade Policy Bureau, METI (2005-2008), Director, Financial Cooperation Division, Trade and Economic Cooperation Bureau, (2008-2010), Director, Asia and Pacific Division, Trade Policy Bureau (2010-2012) and Deputy Director-General for Trade Policy, Trade Policy Bureau (2017-2019). He was engaged in negotiations on FTAs such as RCEP and economic cooperation with ASEAN, China, and India in the Ministry of Economy, Trade and Industry (METI). He was also posted in Asian countries such as the Embassy of Japan in the Philippines (1996-1999), JODC Bangkok Office (2002-2005), JOGMEC Beijing Office (2012-2014), and Japan-China Economic Association Beijing Office (2014-2017). He was seconded to the GRIPS in 2019 and became a professor at GRIPS in 2022. He has been engaged in research and education on the Asian economy and Indo-Pacific cooperation.

Ujal Singh Bhatia was appointed Member of the Appellate Body of the WTO in November 2011 and served in the Body till March 2020, including as its Chairman for two years. Prior to that he was India's Ambassador to the WTO between 2004 and 2010. Mr. Bhatia joined the Indian Administrative Service in 1974 and served in various capacities in the state of Odisha as well as in the central government in Delhi. He spent two decades in Odisha in various positions, six years as District Magistrate of three districts in succession. In Delhi, he served in the Commerce Ministry for five years, and briefly in the Information and Broadcasting Ministry, before moving to Geneva as Ambassador of India to the WTO. He has wide experience of trade policy issues at various levels – domestic, bilateral, regional and multilateral, and writes and speaks on trade and development issues frequently. He has published numerous papers and articles in Indian and foreign journals on a range of trade and economic issues. He is currently Honorary Professor at the National Law University, Delhi.

List of Abbreviations

AAGC	Asia-Africa Growth Corridor
ACD	Active Cyber Defense
AETI	Asia Energy Transition Initiative
AI	Artificial Intelligence
APEC	Asia-Pacific Economic Cooperation
ASEAN	Association of Southeast Asian Nations
AU	African Union
BDN	Blue Dot Network
BHN	Basic Human Needs
BIMSTEC	Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation
BRI	Belt & Road Initiative
CCP	Chinese Communist Party
CCUS	Carbon Capture Utilization and Storage
CEPA	Comprehensive Economic Partnership Agreement
CPTPP	Comprehensive and Progressive Agreement for Trans-Pacific Partnership
CRM	Critical Raw Materials
DFFT	Data Free Flow with Trust
DFFT	Digital Free Flow of Data with Trust
DPI	Digital Public Infrastructure
DSA	Digital Services Act

EDB	Economic Development Board
EFTA	European Free Trade Association
EPA	Economic Partnership Agreement
EPA	Economic Partnership Agreements
EU	European Union
EV	Electric Vehicle
FDI	Foreign Direct Investment
FDO	Flexible Deterrence Strategy
FOIP	Free and Open Indo-Pacific
GATT	General Agreement on Tariffs and Trade
GCC	Gulf Cooperation Council
GDI	Global Development Initiative
GDP	Gross Domestic Product
GDPR	General Data Protection Regulation
GHG	Greenhouse Gases
HLED	High-Level Economic Dialogue
HPC	High-Performance Computing
iCET	US-India Initiative on Critical and Emerging Technology
IDFC	International Development Finance Corporation
IGN	Intergovernmental Negotiations
IMF	International Monetary Fund
IORA	Indian Ocean Rim Association
IoT	Internet of Things
IPCEI	Important Projects of Common European Interest
IPEF	Indo-Pacific Economic Framework for Prosperity
ISM	Indian Semiconductor Mission
JEC	Japanese Endowed Course
JIEU	Japan, India and the EU

JIM	Japan-India Institute for Manufacturing
JSTCC	Joint Scientific and Technological Cooperation Committee
LIO	Liberal International Order
MDB	Multilateral development bank
MeitY	Ministry of Electronics and Information Technology
METI	Ministry of Economy, Trade and Industry
MoC	Memorandum of Cooperation
NATO	North Atlantic Treaty Organization
NGHM	National Green Hydrogen Mission
NIST	National Institute of Standards and Technology
NSS	National Security Strategy
NZHF	Net Zero Hydrogen Fund
ODA	Official Development Assistance
OECD	Organisation for Economic Co-operation and Development
OEWG	Open-ended Working Group
PIF	Pacific Islands Forum
PLI	Production Linked Incentive
PPP	Public-Private Partnership
R&D	Research and Development
RCEP	Regional Comprehensive Economic Partnership
SAGAR	Security and Growth for All in the Region
SDG	Sustainable Development Goal
SIDS	Small Island Developing States
SPA	Strategic Partnership Agreement
TEPA	Trade and Economic Partnership Agreement
TITP	Technical Intern Training Programme
TPP	Trans-Pacific Partnership

TTC	Trade and Technology Council
UfC	Uniting for Consensus
UN	United Nations
UNGA	United Nations General Assembly
UNHRC	United Nations Human Rights Council
UNMSC	United Nations Military Staff Committee
UNSC	United Nations Security Council
VIP	Values, Interests and Priorities
WB	World Bank
WHO	World Health Organization
WTO	World Trade Organization

List of Figures and Tables

FIGURES

TABLES

Executive Summary & Policy Recommendations

Sekiyama Takashi, Jagannath Panda and Tatsuo Shikata

Countries have only recently started releasing documents and policy papers addressing economic security, although the concept itself has been debated for more than fifty years. Despite this long-standing discourse, few official publications explicitly define the core values, perceived threats, or protective measures associated with economic security. In this volume, economic security is understood as the safeguarding of a nation's survival, sovereign independence, and economic well-being against threats such as disruptions in the supply of critical resources, the loss of advanced technologies, and excessive dependence on foreign powers.

The conversation around economic security—often encompassing tools like economic statecraft and stricter trade regulations—has been further shaped by the growing perception of renewed "systemic competition" in global politics, especially with the rise of China. This narrative has gained urgency in recent years, particularly following the Trump administration's disruptive approach to strategic and economic policy, which introduced new complexities to the global economic landscape.

In today's increasingly multipolar world, and with the Indo-Pacific region gaining strategic prominence, it is both natural and necessary for new alliances to form around shared goals of economic security. Japan, India, and the European Union (EU) are particularly well-positioned to lead such efforts. Their aligned interests, complementary capabilities, and shared values provide a strong foundation for cooperation. By strengthening their partnership, these actors can not only advance their mutual interests but also help fill the leadership void left by a more inward-looking United States.

This volume discusses the alignment of interests, the opportunities, and the challenges for a trilateral partnership between Japan, India, and the European Union. It posits that such a trilateral is essential to economic security, a rules-based system, and the survival of the liberal international order.

Economic Security and Trump 2.0

1. The shortcomings of the liberal, rules-based international order and the multilateralism that supported it do not stem from their success in enabling emerging economies to accelerate development by following the industrialized path. Rather, these failures arise from the unwillingness of the order's architects to accommodate the legitimate interests of the broader international community.
2. The primary responsibility of the United Nations is the maintenance of international peace and security—a role it has struggled to fulfill in recent years. While UN peacekeeping operations were once a key tool in this effort, their deployment has markedly declined, even as global conflicts and geopolitical tensions have intensified. Notably, UN peacekeepers are absent from some of the most volatile and conflict-prone regions, such as Ukraine, Gaza, and South Sudan. Article 108 of the UN Charter stipulates that amendments require approval by two-thirds of the General Assembly and ratification by two-thirds of all UN member states, including all five permanent Security Council members. Among these, some—particularly China—resist any reduction in their privileged status. Their insistence on consensus, fully aware that such unanimity is unlikely, effectively blocks any meaningful reform. The 2024 UN Summit of the Future, the culmination of over a year of detailed planning, produced what was touted as an ambitious "Pact for the Future." However, upon closer examination, the document largely reiterates broad, aspirational principles—many of which have already been routinely disregarded in practice. This casts doubt on the international community's ability to translate these ideals into concrete, progressive action.

3. As Europe faces the return of a Trump administration—dubbed "Trump 2.0"—it stands at a strategic crossroads. Navigating an increasingly fragmented and unpredictable geopolitical environment will demand both foresight and flexibility from European policymakers. The transatlantic economic partnership remains the most robust and deeply integrated in the world, with the EU and the United States together accounting for roughly 40% of global GDP and nearly a third of international trade. Historically grounded in shared values and mutual interests, this relationship has come under strain due to President Trump's trade confrontations, regulatory divergence, and a shift toward transactional bilateralism over multilateral cooperation. This erosion is compounded by entrenched skepticism within the U.S. administration toward multilateral institutions, consistent with Trump's broader agenda of diminishing the role of international bodies. Such a shift is particularly destabilizing for Europe, which has long relied on the multilateral trading system to protect its interests within a rules-based framework that curbs unilateral dominance.
4. Increasingly, trade and security are being deliberately linked through economic statecraft, whereby economic ties are leveraged for geopolitical advantage. This instrumentalization of commerce in security arrangements marks a significant departure from the postwar transatlantic consensus, which deliberately kept economic and defense policies in separate domains to prevent coercion from undermining collective security frameworks. Economic coercion now spans multiple spheres, including restrictions on trade, investment, and travel; consumer boycotts; sanctions on individuals and corporations; diplomatic pressure; limits on official exchanges; and even arbitrary detentions—expanding the toolkit for strategic leverage. The European Union has institutional mechanisms to respond to such unilateral economic measures, including the imposition of targeted retaliatory tariffs—often calibrated to politically sensitive U.S. exports from electorally crucial regions.
5. European leaders must navigate a complex set of trade-offs as they respond to evolving U.S. policies. Balancing short-term economic challenges, long-term security imperatives, and core democratic values

will be crucial. The choices made in this context will not only reshape transatlantic relations but also have lasting implications for the future of global economic governance and Europe's strategic position within it.

Strategies for Japan-India-EU Cooperation

6. In today's increasingly contested and unstable geopolitical environment, strengthening economic security is a critical imperative for Japan, India, and the European Union (EU). Enhanced trilateral cooperation among these partners is essential to advance three key objectives: (1) Supporting one another in bolstering domestic economic security, including through joint investment in research and development and efforts to ensure stable and resilient supply chains; (2) Coordinating engagement with third countries, tailoring partnerships to local needs and risk perceptions to encourage the global adoption of open and ethical technologies; and (3) Promoting a model of digital governance that safeguards open, secure, and ethically grounded technological innovation and application.
7. Effective trilateral cooperation depends on alignment in Values, Interests, and Priorities (VIPs). While such alignment has only recently begun to materialize, it is being driven by heightened systemic rivalry with China, growing uncertainty about the reliability of the United States as a strategic partner, and a shared objective to reduce strategic dependencies, particularly on Russia.
8. Current collaboration efforts remain largely bilateral. Elevating these initiatives to a trilateral framework would enhance each party's economic security—both domestically and in their interactions with third countries. Building on existing sectoral cooperation in areas such as artificial intelligence, quantum computing, advanced connectivity, navigation technologies, and energy innovation, Japan, India, and the EU are well positioned to expand their coordination and help shape global standards in digital governance.
9. Over the next several decades, strategic competition is expected to intensify between two competing systems: the authoritarian model

exemplified by China's blend of state socialism and digital authoritarianism, and the democratic model championed by the United States. A central flashpoint in this rivalry is cyber-enabled intellectual property theft by China, which undermines the technological and economic base of its competitors, particularly the United States.

10. Japanese companies, in particular, are increasingly aware of the geopolitical and economic security risks associated with China. As a result, fewer Japanese firms now prioritize China as an investment destination, shifting their focus toward ASEAN countries and India. There is also growing emphasis on enhancing strategic inventories, diversifying supply chains and production bases, and reinforcing these capabilities within Japan itself.
11. Japan, India, and the EU share fundamental values—democracy, freedom, the rule of law, and a commitment to a free and open international order. These commonalities offer significant opportunities for collaboration in rebuilding a rules-based trading system in the Indo-Pacific, establishing reliable and diversified supply chains, and deepening ties with the Global South. Nonetheless, challenges to harmonization remain. While Japan, India, and the EU exhibit strong complementarities, reconciling differing national priorities—especially in sensitive sectors such as intellectual property, agriculture, automotive, and pharmaceuticals—will require sustained dialogue and compromise.

Pathways through Receding Multilateralism

12. Today, economic security represents a comprehensive framework for resilience, encompassing the development of technological standards, the pursuit of strategic autonomy, and the protection of critical infrastructure. It functions both as a defensive measure against external coercion and as a forward-looking strategy to shape global governance norms.
13. Under President Xi Jinping, China has adopted an increasingly assertive posture, particularly in the East and South China Seas, while expanding its influence across the Global South. Beijing frequently employs economic coercion, including export restrictions on rare earth elements

and critical materials, tariffs on imported goods, and efforts to control global supply chains. Simultaneously, China's "Digital Silk Road" initiative seeks to dominate advanced technologies, often through cyber-enabled intellectual property theft from developed nations. Despite these challenges, China remains an essential economic partner—serving as a key market and supply source for Japan, India, and the EU. These three actors must coordinate their approaches to engage China in a manner that is both constructive and consistent with their shared strategic and economic interests.

14. Middle powers such as Japan and European nations must take the lead in strengthening the governance of international institutions like the WTO and WHO. Achieving the Sustainable Development Goals (SDGs) and improving global infrastructure and connectivity will require robust international financial support systems. These should mobilize multilateral development banks (MDBs), sovereign wealth funds, policy banks, and private investment.

15. In an era of growing economic fragmentation, it is more important than ever to uphold rules-based trade and continue shaping global norms. Japan views Economic Partnership Agreements (EPAs) as effective tools for enhancing supply chain resilience through diversification and countering protectionist tendencies. It is committed to pursuing new EPAs and investment agreements, particularly with Global South countries that have yet to establish such frameworks. Concurrently, Japan will advocate for reform of the World Trade Organization (WTO) and leverage both WTO mechanisms and EPAs to combat unfair trade practices.

16. Japan is poised to address a growing array of non-trade concerns—ranging from economic security and environmental sustainability to the protection of human rights—while ensuring that related measures do not distort fair trade. Japan will engage in shaping and enforcing global rules that strike this balance.

17. Japan, India, and the EU share foundational values such as democracy, freedom, the rule of law, and a commitment to a free and open international order. These common principles create a strong basis for

cooperation in rebuilding a rules-based trade system in the Indo-Pacific, ensuring supply chain security, and deepening engagement with the Global South. The trilateral alignment of India, Japan, and the EU presents both a strategic opportunity and a normative vision for sustaining and revitalizing the rules-based international order.

Notable Policy Recommendations

Pursue a Renewed Multilateralism Through Middle-Power Leadership

- In a fragmented geopolitical landscape, Japan, India, and the EU must lead efforts to reinvigorate multilateral cooperation. Climate change, food and water insecurity, economic inequality, disrupted trade, future pandemics, and emerging technologies all demand collective action.
- Even without sweeping UN or UNSC reform, functional partnerships among like-minded middle powers can revitalize interdependence and reinforce global norms.
- The trilateral should pursue institutional innovation—such as sector-specific plurilateral agreements, regulatory coordination, and joint risk-response mechanisms—to protect economic interests and global stability.
- Strategic cooperation among Japan, India, and the EU must extend across politics, economics, and security. The three must share burdens, manage risks, and fill the global leadership vacuum created by U.S. retrenchment.

Diversify Markets and Supply Chains for Strategic Resilience

- European businesses must reduce over-reliance on the U.S. by deepening ties with Asia-Pacific economies, advancing the EU-Mercosur deal, enhancing intra-EU supply chains, and forging partnerships with India and other emerging markets.
- Governments and firms must conduct comprehensive supply chain vulnerability assessments—including secondary dependencies and technological linkages—to prioritize de-risking strategies.

- The EU should turn its market size into regulatory influence by setting forward-looking standards for sustainability, transparency, and security in global trade.
- Japan, India, and the EU should coordinate green and clean energy supply chain initiatives with third countries, aligning with India's "Make in India" program and promoting friend-shoring among trusted partners.
- De-risking from China requires joint efforts to reconfigure supply chains among like-minded economies and reduce over-dependence on Chinese inputs.

Collaborate on Next-Generation Technologies and Infrastructure

- Coordinate Japan's "Partnerships for Quality Infrastructure," India's "Act East" policy, and the EU's "Global Gateway" to ensure complementary investments in digital connectivity and avoid duplication.
- Prioritize co-development and joint production of critical technologies—such as 5G infrastructure, AI, quantum computing, and semiconductors—in India to lower costs and offer alternatives to China.
- Leverage the Blue Dot Network (BDN) to promote high-quality infrastructure investments aligned with G20 principles and reduce strategic dependencies on China.
- Establish a Trilateral Green Corridor Fund to finance clean infrastructure in South Asia and Africa, including renewable grids, hydrogen hubs, and climate-resilient transport networks.

Toward a Trilateral Free Trade Agreement (FTA)

- Maximize synergies from existing regional frameworks like the Quad, IPEF, and Japan/EU or India/EU partnerships to build resilient global supply chains.
- Expand the scope of bilateral and mega-FTAs to include modern issues such as digital economy, environment, labor, and supply chain resilience.
- Explore the feasibility of a Japan–India–EU trilateral FTA, potentially the world's largest by GDP and trade volume. It would combine Japan's

tech leadership, India's manufacturing and digital services base, and the EU's regulatory and industrial strength.

Fill the Global Leadership Vacuum

- In the absence of strong U.S. leadership, the trilateral must uphold a rules-based international order and ensure Indo-Pacific stability through coordinated action.
- Clearly define shared values, threats, and permissible regulatory tools in economic security policies to maintain transparency and avoid unjustified restrictions on private enterprise.
- Institutionalize trilateral coordination through regular summits, government-industry dialogues, and strategic planning forums.
- Jointly develop and manufacture advanced technologies in India for export to the Global South, including in green hydrogen and clean energy sectors—building on India's "Green Hydrogen Mission."
- Make Africa a central focus for trilateral economic security initiatives, offering transparent, sustainable alternatives to Chinese infrastructure projects.
- Quietly support Taiwan's integration into global economic frameworks—such as semiconductor coalitions and cyber defense initiatives—without direct political confrontation, while emphasizing ASEAN centrality to reduce regional tensions.
- A dedicated trilateral platform—such as an India–Japan–EU Economic Security Dialogue—may be established with annual summits, rotating secretariats, and specialized working groups. This body should coordinate strategic policy on trade, technology, infrastructure, and green transitions. It would also serve as a crisis response mechanism in the face of future disruptions, including economic coercion, cyber threats, and geopolitical instability.

I. ECONOMIC SECURITY AND TRUMP

1

What is Economic Security?

Takashi Sekiyama

1. Introduction

Economic security is now positioned as one of the most important international issues: the leaders' communiqué of the G7 summit held in Hiroshima in May 2023 included economic security as a separate item, stating that "ensuring economic resilience and economic security globally remains our best protection against the weaponization of economic vulnerabilities".[1]

The Trump administration's 2017 National Security Strategy in the United States stated that "economic security is national security." The current U.S. National Security Strategy, published in 2022, places the economy at the core of security. Similarly, the EU, European Parliament, and European Council issued a joint statement on the European Economic and Security Strategy on June 20, 2023. Japan enacted the Economic Security Promotion Law in May 2022, one year before the G7 Summit. The law provides for (1) the establishment of a critical goods supply network, (2) the security of key infrastructure, (3) support for the development of advanced critical technologies, and (4) a patent non-disclosure system, with the aim of comprehensively and effectively promoting economic measures related to ensuring security. Japan has also positioned its economic security policy as one of the pillars of its National Security Strategy, which was revised in December 2022.

Neither of these official documents clearly states what "economic security" is. Security refers to the protection of assets against threats.[2] However, official documents tend to avoid defining economic security. Even when defined, the value, threat, or means are often ambiguous (see Table 1.1).

This finding raises several questions. What is economic security? What are considered threats to economic security? What, who, and how should these individuals be protected from such threats? Although its definition remains ambiguous, the free economic activities of the private sector have been restricted to security. It is impossible to discuss the rationale for such economic security policies when their definitions are unclear. The economic activities of the private sector may be excessively restricted regarding security (Table 1.1).

Although countries have only recently begun to publish official documents on economic security, debates on this concept have been ongoing for more than half a century. Economic security has often been used as a concept related to individual economic difficulties, such as income and employment in the context of domestic social welfare. Such arguments date back to pre-war times.[3] German economists also discussed the security dimension of economic policy as early as 1900.[4] Since then, national economic security has been intermittently in the policy spotlight after major economic shocks, such as the oil crisis of the 1970s,[5] food security in 2007-2008,[6] the great financial crisis of 2008-2009,[7] and the COVID-19 pandemic.[8] A review of these debates provides a better understanding of economic security.

Therefore, this chapter aims to define economic security from the perspective of threats, objects and means by reviewing related literature. The review includes English and Japanese literature. In Japan, economic security has been the subject of active debate on three occasions: at the end of the 1970s, at the end of the 1990s, and in the present day. Interestingly, more relevant literature on national economic security was found in Japanese literature than in English literature. This can be understood as a result of the fact that Japan has been actively discussing the security aspects of its economic policy under the concept of "comprehensive security" since the 1970s.

Table 1.1: Definition of Economic Security in Official Documents of US, EU, and Japan

		Values	*Threats*	*Measures*
US	National Security Strategy (2017)	American prosperity and security (p. 17)	an economic competition playing out in a broader strategic context (p.17)	• rejuvenating the domestic economy • promoting free, fair, and reciprocal economic relationship • leading in research, technology, invention, and innovation
	National Security Strategy (2022)	a free, open, prosperous, and secure international order (p. 10)	• competition with the PRC • acute threat posed by Russia • shared challenges, particularly climate change, pandemics, and economic turbulence (p.12-13)	• promoting and protecting innovation base • embracing energy dominance (p. 18-23) • outcompeting our strategic competitors (in important emerging technologies such as microelectronics, advanced computing, biotechnology, clean energy technologies, and advanced telecommunications)
EU	Joint Communication on a European Economic Security Strategy	prosperity, sovereignty and safety (p.1)	• resilience of supply chains • physical and cyber security of critical infrastructure • technology security and technology leakage • weaponisation of economic dependencies or economic coercion (p. 4)	• galvanizing collective action on global challenges • shaping the rules of the road for technology, cybersecurity, and trade and economics (p.11) • investing in EU competitiveness • diversifying supply chains • responding to practices such as economic coercion • preventing the leakage of sensitive emerging technologies (p.4)
Japan	National Security Strategy of Japan (December, 2022) Act on the Promotion of Ensuring National Security through Integrated Implementation of Economic Measures	peace, security, and economic prosperity (p. 30) ensuring security associated with increased complexity of	• various threats at hand through economic means (p.30) • economic activity that harm the security of the nation and its citizens	• increasing supply chain resilience • protecting critical infrastructure • protecting data and information • fostering and preserving technology • making efforts against economic coercion (p.30-31) • the stable supply of specified critical products • the stable provision of specified essential infrastructure services

Source: Created by the author

For the English-language literature, a title search using the keyword "economic security" was conducted in the article database JSTOR in February 2024. The search yielded 275 academic papers, 75 book chapters, and 147 reports. For Japanese-language literature, we searched CiNii Research, a Japanese literature search service, using the keywords "economic security" during the same month. Consequently, 50 books and 662 articles have been published in Japanese. This study reviews eight Japanese and four English language articles from these references for their contribution to the discussion on the definition of economic security, as determined by their titles and abstracts.

Tables 1.2 and 1.3 summarize the definitions of economic security discussed in the English and Japanese literature reviewed in this paper regarding the values to be protected, threats to those values, and measures to eliminate or reduce these threats. Section 2 reports the results of the literature review and discusses the definition of economic security. Finally, Section 3 presents a brief conclusion.

2. Values, Threats, Means

2.1 Values to be Protected

Although there is little English-language literature that clearly defines the values to be protected, a report published in 2021 by the Centre for International Governance Innovation, a Canadian think tank, emphasizes the sovereignty of the state and the lives of its people in the context of the economic dimension of national security.[9]

In addition, almost all Japanese literature from the 1970s to the present has considered the survival of the nation or its people as a value to be protected through economic security. Along with survival, "political autonomy"[10] or "independence of sovereignty"[11] have also been emphasized. Conversely, along with such political survival and independence, "people's economic life"[12] and "economic prosperity"[13] are also unanimously pointed out in many works of literature.

Table 1.2 Definition of Economic Security in English Literature

Documents	*Values*	*Threats*	*Measures*
A.B. Adams. 1936. *National economic security.* University of Oklahoma Press.		Economic threats to domestic individuals, including income and employment	
F.A.M.A. von Gensau & J. Pelkmans , eds. 1982. *National Economic Security: Perception s, Threats and Policies.*	Political, military, and socio-cultural nation al interests	n/a	Use of Economic Policies
Tilburg. V. Cable. 1995. What is International Economic Security? *International Affairs* 71 (2), 305-324.	National safety	• Trade and investment directly affecting defense capabilities • Offensive/defensive economic policies: economic sanctions, insecurity of supply of oil and critical minerals • Decline in relative economic power • Instability in the international economic community (p.306-308)	n/a
D. Ciuriak & P. Goff. 2021. *Economic Security and the Changing Global Economy,* Centre for International Governance Innovation.	• Sovereignty of the state and life of the people • Stability of people's lives • Economic prosperity (p. 3-4)	• Risks associated with pursuing opportunities (adverse shocks including natural disasters) • Threats from intentional hostile actions (p.3-4)	• Ensuring the ability of the economy to function in the face of potential supply disruptions • Ensuring prosperity in an in novation-intensive era of strategic competition (p.3-4)

Source: Created by the author.

In summary, the previous arguments seem to indicate that the values to be protected in economic security are "survival of the nation and its people," "independence of sovereignty," and "economic prosperity."

2.2 Threats

Few studies have clearly identified shortages of resources, energy, food, and other goods essential to people's lives as threats to economic security in both the English and Japanese literature from the 1970s to the present.[14] Recent discussions on supply chain disruptions can be understood in a similar context.

Table 1.3: Definition of Economic Security in Japanese Literature

Documents	*Values*	*Threats*	*Measures*
Kaoru Murakami (1997). *Nihon seizon no joken-keizaianzenhosho no teigen (Conditions for the Survival of Japan' Proposals for Economic Security).* Simul Press.	Survival of the people (p.4)	Insufficiency of resources, energy, and food(p.39)	• Stockpiling • Saving • Diversification of supply sources • Complementary diplomacy with resource-rich countries (p.26-38) • Maximizing its own economic power (implicit or explicit offensive, deterrent, and defensive power)
Yoichi Funahashi (1978). *Keizaianzenhosho ron (Economic Security Theory).* Toyo Keizai Shinposh.	• Survival of the state • Welfare and economic interdependence • Political autonomy (p.296-297)	Economic activities of other countries (p.296-297)	• Minimizing the economic power of other countries (p.296-297)
Masataka Kosaka (1978). Keizaianzenhosho no igi to kadai (Significance and Issues of Economic Security). In *Takasaka Masataka chosakushu (The Works of Kosaka Masataka),* No.7. Toshi Shuppan. 595-616.	Economic lives of the people (p.596-597)	• Disruption of resource supplies and market closures due to military threats and political and economic volatility (p.596) A domain where economics and security overlap (e.g. leakage of dual-use technologies) (p.57)	• Self-sufficient economy • Creation and maintenance of a world-wide interdependent • Stockpiling of resources) (p.611-614) Needs to be handled on a case-by-case basis (p.62)
Yuzo Murayama (2003). *Keizaianzenhosho wo kangaeru (Thinking about Economic Security).* NHK Publishing.			
Masaki Hasegawa (2006). Keizaianzenhosho gainen no saikousatsu (Rethinking the Concept of Economic Security). *International Security,* 34 (l), 107-130.	• Survival and independence • Economic prosperity (p.113-115)	• Use or deterrent of military force • Use of economic means • Dysfunction of the international	• Military means: attack, threat, deterrence, station, and escort by military force. • Economic means: reward (aid and assistance), punishment (sanctions), strengthening the country's economy (self-sufficiency, stockpiling, diversification of supply, etc.) (p.115-116)

LDP (2020). *Keizaianzenhosho sakutei ni mukete (Toward the Development of an Economic Security Strategy).* LDP.	peace, security, and economic prosperity (p.3)	n/a	• Strategic autonomy: Avoiding excessive dependence on other countries in strategic base industries such as energy, which are difficult to stockpile and substitute and have limited sources of supply. • Strategic indispensability: Creating an environment in which the private sector can produce technologies, products, and services that are indispensable to the international industrial structure (p.8-10)
Shigeru Kitamura (2022). *Keizaianzenhoshou (Economic security).* Chuokoron Shinsha.	Stability of people's lives and survival of the nation Cp.92)	Dependence of key industries on other countries and outflow of technology and human resources (p.92)	• Offensive aspect: economic statecraft (weaponization of economic measures) • Defensive aspects: preventing technology outflow, regulating foreign investment, ensuring autonomy (p.93-95)
Jun Kazaki (2023). *Keizaianzenhosho to sentan juyo gijutsu (Economic Security and Advanced/Important Technology).* Shinzansha.	• Security of the nation and its people • National interests such as peace and security and economic prosperity of our country (p.1-4)	Supply chain fragmentation, technology proliferation, economic sanctions/ coercion, energy and food shortages (p.1-4)	Export control, investment screening, arms transfers, arms domestication, economic sanctions and economic coercion, supply chain diversification and strengthening, engagement policies (p. 1-4)

Source: Created by the author

Such shortages and supply disruptions of critical commodities are caused by natural disasters, international instability, or pandemics. Supply shortages can also be caused by trade restrictions based on the political intentions of the supplier countries. The latter case, namely economic sanctions or coercion by other countries, has traditionally been recognized as a threat in most English-language studies on economic security.[15] In this context, economic security and so-called economic status are almost synonymous. Japanese literature has also begun to emphasize the threat of deliberate economic sanctions and coercion by hostile countries, particularly in recent years.[16]

Some literature also view a decline in relative economic power as a threat to the "survival of the nation and its people," "independence of sovereignty," and "economic prosperity" because it undermines relative military superiority.[17]

In addition, key advanced technologies, such as semiconductors, have recently become more important than ever in discussions on economic security. The threat of outflow or dependence on other countries for key advanced technologies did not receive much attention during the 1970s. However, in recent years, advanced technology has become one of the most important issues in the economic security agenda. Particular emphasis has been placed on the issue of dual-use technologies in which the boundary between civilian and military technologies is blurred.[18] As technological innovations in the civilian field have become remarkable, the number of cases in which civilian technology has been transformed into military technology has increased. Consequently, dual-use technologies have become increasingly important in recent years.

2.3 Means

Economic security aims at eliminating or deterring the threats discussed above as much as possible. To deal with disruptions in the supply of critical goods, one of the requirements is to ensure the ability of the economy to function in the face of the risks of such supply disruptions.[19] In this regard, a logical solution is to be self-sufficient in everything to eliminate the fear that critical goods will not be adequately supplied from abroad.[20] Indeed, the two World Wars of the 20th century were struggles between powers for self-sufficient spheres of existence.

However, the isolation of economic security was inconsistent with the original political goal. Self-sufficiency for the "survival of the nation and its people" and "independence of sovereignty" would not allow the country to enjoy the benefits of comparative advantage. This would lead to a situation incompatible with the other goal of economic security, "economic prosperity." Moreover, the concentration of supply sources within a country ironically increases the risk of supply disruptions due to unexpected events such as natural disasters.

Therefore, conventional discussions of economic security have suggested that self-sufficiency has become "almost impossible" in the modern industrial age.[21] Thus, since the 1970s, there has been consensus that the risks of resource shortages and supply disruptions should be reduced by diversifying sources of supply.[22]

In this context, some have emphasized the importance of maintaining a free and open international economic system as a prerequisite for diversifying sources of supply.[23] Simultaneously, many argue for the necessity of "stockpiling," asserting that a degree of self-help preparedness against temporary supply disruptions is necessary.[24]

Conversely, a country that depends on other countries for critical goods with limited suppliers would not be able to ensure the "survival of the nation and its people," "independence of sovereignty," and "economic prosperity" if subjected to economic sanctions or economic coercion by the supplier country. This is the risk of "weaponized interdependence".[25] Supplier countries for hard-to-substitute strategic commodities are at a central node in the web of economic interdependence linking many consuming countries. Such supplier countries have asymmetric power that allows them to unilaterally cut off certain consuming countries or trading partners from their supply chains. The supplier country controls a choke point at the central node of the supply chain network.

A consuming country should not be overly dependent on other nations for critical commodities that are difficult to stockpile or substitute, to prevent the risk of a choke point of critical resources being seized by a hostile nation.[26] Such strategic autonomy is a defensive measure against the economic status of potential adversaries. In other words, it is necessary for a consumer country

to create an environment in which domestic firms can produce products and services that are indispensable to its industrial structure.

Simultaneously, improving strategic indispensability is necessary to counter or deter hostile actions by an adversary with offensive capabilities.[27] The development and maintenance of critically advanced technologies are crucial for ensuring strategic indispensability. This is especially true for countries that lack critical natural resources, as critical technologies are the only economic deterrent to sanctions by their adversaries. A report by Canada's Centre for International Governance Innovation also cites securing prosperity in an innovation-intensive era of strategic competition as an economic security measure, along with preparing for disruptions in the supply of critical commodities.[28]

However, strategic indispensability is undermined if advanced technologies are leaked to other countries. In addition, as mentioned above, the boundary between civilian and military technologies has disappeared given the rise of dual-use technology. If advanced civilian technology leaks into a hostile country, it may be diverted for military use, thereby increasing the military threat to the countries that originally developed the technology. Therefore, especially in recent discussions, several proposals have been made to prevent technology leakage through export control and investment screening.[29]

3. Conclusion

Based on the most common denominator in the English and Japanese literature, the values, threats, and measures of economic security can be summarized as follows:

> *Economic security is the protection of the survival of a nation and its people, its sovereign independence, and its economic prosperity from threats such as disruptions in the supply of critical commodities, the outflow of critical advanced technologies, and dependence on other countries.*

It requires diplomatic effort to maintain a free and open international economic system. Additionally, a certain level of stockpiling is necessary as a precaution against temporary supply disruptions. Moreover, as a defensive measure against economic sanctions by potential adversaries, it is essential

to ensure strategic autonomy without excessive dependence on other countries for critical commodities that are difficult to stockpile or replace and for which sources of supply are limited. It is also necessary to ensure strategic indispensability to counterattack or deter hostile countries by promoting products and services that are indispensable to the international industrial structure of the country. To ensure strategic autonomy and indispensability, promoting and preventing the outflow of advanced key technologies are important measures for economic security.

On the other hand, restricting private economic transactions for economic security also restricts economic freedom. Therefore, regulatory measures should be limited to what is indispensable and reasonable for eliminating or deterring threats to values such as national survival, sovereign independence, and economic prosperity. Few policy documents, however, clearly state these elements of economic security. In order for the people to check whether private economic activities are not unduly restricted in the name of security, it is important that threats, values, and means of economic security are clearly defined in policy documents. It would be gratifying if this report could contribute to the definition of economic security.

Note: The present chapter was prepared by modifying the author's previous paper (N. Yuzue and T. Sekiyama, "Defining economic security through literature review," *Frontier in Political Science* 7 (2025):1501986).

ENDNOTES

1 "G7 Hiroshima Summit," Ministry of Foreign Affairs of Japan, 2023.

2 A. Wolfers, "Nationa1 Security as an Ambiguous Symbol," *Political Science Quarterly* 67, no. 4 (1952): 485–502.

3 A.B. Adams, *National economic security* (University of Oklahoma Press, 1936).

4 J. Arato, K. Claussen, and J. B. Heath, "The Perils of Pandemic Exceptionalism," *The American Journal of International Law* 114, no. 4 (2020): 627–636.

5 J. Pelkmans, "The Many Faces of National Economic Security," in F. A. M. A. von Geusau and J. Pelkmans (eds), *National Economic Security: Perceptions, Threats, and Policies* (John F. Kennedy Institute, 1982).

6 D. Dawe (ed.), *The Rice Crisis: Markets, Policies and Food Security* (FAO, 2010).

7 C. J. Whalen, (ed.), *Financial Instability and Economic Security after the Great Recession* (Edward Elgar Publishing, 2011).

8 T. Falkendal, C. Otto, J. Schewe, J. Jägermeyr, M. Konar, M. Kummu, B. Watkins, and M. J. Puma, "Grain export restrictions during COVID-19 risk food insecurity in many

low- and middle-income countries," *Nature Food* 2, no. 1 (2021): 11–14.

9 D. Ciuriak and P. Goff, *Economic Security and the Changing Global Economy* (Centre for International Governance Innovation, 2021).

10 Y. Funahashi, *Keizaianzenhosho ron* [Economic Security Theory] (Toyo Keizai Shinposha, 1978).

11 M. Hasegawa, "*Keizaianzenhosho gainen no saikousatsu* [Rethinking the Concept of Economic Security]," *International Security* 34, no. 1 (2006): 107–130; LDP, *Keizaianzenhosho sakutei ni mukete* [Toward the Development of an Economic Security Strategy] (LDP, 2020).

12 M. Kosaka, "*Keizaianzenhosho no igi to kadai* (Significance and Issues of Economic Security)," In *Kosaka Masataka chosakushu* [The Works of Kosaka Masataka], no.7, 595-616, (Toshi Shuppan, 1978).

13 J. Kazeki, *Keizaianzenhosho to sentan juyo gijutsu* [Economic Security and Advanced/ Important Technology] (Shinzansha, 2023).

14 K. Murakami, *Nihon seizon no joken: keizaianzenhosho no teigen* [Conditions for the Survival of Japan: Proposals for Economic Security] (Simul Press, 1997); V. Cable, "What Is International Economic Security?" *lnternational Affairs* 71, no. 2 (1995): 305–324; M. Hasegawa, "*Keizaianzenhosho gainen no saikousatsu* [Rethinking the Concept of Economic Security]," *International Security* 34, no. 1 (2006): 107–130; J. Kazeki, *Keizaianzenhosho to sentan juyo gijutsu* [Economic Security and Advanced/Important Technology] (Shinzansha, 2023).

15 V. Cable, "What Is International Economic Security?" *lnternational Affairs* 71, no. 2 (1995): 305–324; D. Ciuriak and P. Goff, *Economic Security and the Changing Global Economy* (Centre for International Governance Innovation, 2021).

16 M. Hasegawa, "*Keizaianzenhosho gainen no saikousatsu* [Rethinking the Concept of Economic Security]," *International Security* 34, no. 1 (2006): 107–130; J. Kazeki, *Keizaianzenhosho to sentan juyo gijutsu* [Economic Security and Advanced/Important Technology] (Shinzansha, 2023).

17 V. Cable, "What Is International Economic Security?" *lnternational Affairs* 71, no. 2 (1995): 305–324; D. Ciuriak and P. Goff, *Economic Security and the Changing Global Economy* (Centre for International Governance Innovation, 2021).

18 Y. Murayama, *Keizaianzenhosho wo kangaeru* [Thinking about Economic Security] (NHK Publishing, 2003); S. Kitamura, *Keizaianzenhoshou* [Economic security] (Chuokoron Shinsha, 2022).

19 D. Ciuriak and P. Goff, *Economic Security and the Changing Global Economy* (Centre for International Governance Innovation, 2021).

20 M. Kosaka, "*Keizaianzenhosho no igi to kadai* (Significance and Issues of Economic Security)," In *Kosaka Masataka chosakushu* [The Works of Kosaka Masataka], no.7, 595-616, (Toshi Shuppan, 1978).

21 Ibid.

22 Y. Murayama, *Keizaianzenhosho wo kangaeru* [Thinking about Economic Security] (NHK Publishing, 2003); J. Kazeki, *Keizaianzenhosho to sentan juyo gijutsu* [Economic Security and Advanced/Important Technology] (Shinzansha, 2023).

23 M. Kosaka, "*Keizaianzenhosho no igi to kadai* (Significance and Issues of Economic Security)," In *Kosaka Masataka chosakushu* [The Works of Kosaka Masataka], no.7, 595-616, (Toshi Shuppan, 1978); S. Kitamura, *Keizaianzenhoshou* [Economic security] (Chuokoron Shinsha, 2022).

24 K. Murakami, *Nihon seizon no joken: keizaianzenhosho no teigen* [Conditions for the Survival of Japan: Proposals for Economic Security] (Simul Press, 1997); M. Kosaka, "*Keizaianzenhosho no igi to kadai* (Significance and Issues of Economic Security)," In *Kosaka Masataka chosakushu* [The Works of Kosaka Masataka], no.7, 595-616, (Toshi Shuppan, 1978); M. Hasegawa, "*Keizaianzenhosho gainen no saikousatsu* [Rethinking the Concept of Economic Security]," *International Security* 34, no. 1 (2006): 107–130; LDP, *Keizaianzenhosho sakutei ni mukete* [Toward the Development of an Economic Security Strategy] (LDP, 2020).

25 H. Farrell and A. L. Newman, "Weaponized Interdependence: How Global Economic Networks Shape State Coercion," *International Security* 44, no. 1 (2019): 42–79.

26 LDP, *Keizaianzenhosho sakutei ni mukete* [Toward the Development of an Economic Security Strategy] (LDP, 2020).

27 Ibid.

28 D. Ciuriak and P. Goff, *Economic Security and the Changing Global Economy* (Centre for International Governance Innovation, 2021).

29 LDP, *Keizaianzenhosho sakutei ni mukete* [Toward the Development of an Economic Security Strategy] (LDP, 2020); S. Kitamura, *Keizaianzenhoshou* [Economic security] (Chuokoron Shinsha, 2022); J. Kazeki, *Keizaianzenhosho to sentan juyo gijutsu* [Economic Security and Advanced/Important Technology] (Shinzansha, 2023).

2

The Future of Multilateralism in an Age of Resurgent Nationalism

Jayant Prasad

I

In 2014, Henry Kissinger concluded in his book *World Order* that the world was more in a state of disorder than over seven decades ago, ever since the end of the Second World War. Today, the world is mired in conflict and turmoil, threatening global security and development. It is no surprise that multilateralism is in decline, and the achievement of the targets of the Paris Climate Change Conference and the Sustainable Development Goals (SDGs) are imperiled.

The phrase, 'national interest' was acquiring an almost pejorative connotation at the turn of the century: it is respectable again—back in vogue, almost with a vengeance, with issues of sovereignty, territoriality, and borders coming to the fore. It is instructive to recall that President Donald Trump repeatedly told the United Nations General Assembly (UNGA) that the United States rejected the ideology of globalism and accepted the doctrine of patriotism.[1] His 2019 speech at the UNGA expressed his ideas in a fulsome way:

> "*…the truth is plain to see, if you want freedom, take pride in your country, if you want democracy, hold on to your sovereignty, and if you want peace, love your nation. Wise leaders always put the good of their*

own people and their own country first. The future does not belong to globalists. The future belongs to patriots. The future belongs to sovereignty and independent nations…."[2]

With Donald Trump as the US President, this will remain a significant part of the thinking of America and the world. Global cohesion has been fractured by a growing assertion of national identities, expressed in myriad ways—opposed to each other. Local conflicts and internal instabilities lead to failing states, a process compounded by outside interference and regional and international geostrategic competition. The multilateral institutions set up at the end of the Second World War have declined and alternative bodies have not taken their place. Protectionism and onshoring under the imperative of 'national security' are embraced as a panacea for progress, compromising the rule-based liberal international order.

The great powers are abandoning the ethic of multilateralism when it is most needed. Why is this so? When the UN was established together with the World Bank (WB), International Monetary Fund (IMF), and General Agreement on Tariffs and Trade (GATT), they set the rules of the road, especially in grant of credit, balance of payment support, and trade and development, by providing predictability and stability to the international system. It is a different matter that the UN, especially the UN Security Council (UNSC), responsible for maintaining international peace and security, never worked well due to the Cold War. In the economic arena, developing countries and emerging economies benefited from the three Bretton Woods institutions. The United States has convinced itself that the rules set gave a 'free ride' to others through more liberal terms (in liberal access to loans and reduced tariffs) and exemptions (differentiated treatment for the less developed countries).

The inadequacy of the rules-based liberal international order and the multilateralism that underpinned it to address contemporary challenges is not because these enabled the emerging countries to follow in the footsteps of the industrialized countries, allowing them to develop at a faster rate than the creators of the order, but because of the reluctance of the creators to accommodate the legitimate interests of the rest of the world. As emerging countries embraced this order and gained from it, its attractiveness to its

protagonists dissipated, most of all to the United States, the preeminent power in the world.

The emerging and developing countries have no doubt benefitted from the predictability of the international order but have not been accommodated within the governing structures of the institutions that underpin it. Confronted by the collapse of norms governing international relations, the standard, default response of the champions of globalized interdependence has been the defense of the rules-based liberal international order. Is this justified? The order was created to preserve the interests of the economically dominant powers, the United States, the countries of Western Europe, and Japan. The reform efforts made within all the major institutions, the World Bank, the International Monetary Fund, the World Trade Organization (GATT's successor), and the UN have been largely unproductive. The weakening of the existing order and multilateralism is loosening the rules and norms of international behavior, damaging institutions, and compromising the observance of international law.

The imminence of a breakdown of the order is far from certain. As recently as 2008-09, when the global economic crisis occurred, the natural reaction might have been to impose trade barriers. Instead, nations kept encouraging trade and economic exchanges, helping the recovery process. The regional development banks in Africa, Asia, and Latin America augmented financial flows targeted at trade finance for developing countries. After the Sustainable Development Goals, the UN adopted the SDGs, and the 196 Parties at the UN Climate Change Conference (COP21) adopted the Paris Agreement on climate change in 2015—achievements that would have been difficult in the present conditions.

An added factor is that the nature of international exchanges has changed. New international actors like corporations rather than countries drive research, innovation, growth, and development. Cross-cutting global issues are transforming diplomacy, and purely kinetic or inter-state terms do not determine security. Relations are conducted frequently through official, state entities and plurilateral organizations (such as the Asian Infrastructure Investment Bank and National Development Bank), a phenomenon described as 'polylateralism'.[3] Moreover, the larger and more powerful states have become increasingly resistant to moves towards tightening the norms

of rules-based global governance as manifested in their opposition to the 1998 International Criminal Court. No wonder, the prospect of the renewal of multilateralism is poor.

The maintenance of international peace and security is the principal function of the UN, a task it has been unable to exercise in recent years. One of the ways the UN performed its peacekeeping role was through the effective deployment of UN peacekeeping forces. Over recent decades, UN peacekeeping operations have declined despite growing geopolitical tensions and conflicts that have the potential to embroil the whole world in insecurity and war. UN peacekeepers are not deployed in the most conflict-ridden areas, including Ukraine, Gaza, and South Sudan.

Under the UN Charter, the UNSC has been given the core responsibility for the preservation of international peace and security. Differences among the P-5 UNSC members from the very inception of the UN have prevented the UNSC from performing this function. Its longest-standing subsidiary body, the United Nations Military Staff Committee (UNMSC) has been lying practically dormant from the time of its inaugural meeting on February 4, 1946. The UNMSC comprises the Chiefs of Staff of the P-5. In later years, the UNSC non-permanent members also began attending the meetings of the UNMSC. Its mandate, under Articles 46 and 47 of the UN Charter includes, inter-alia, "to advise and assist" the UNSC on all questions relating to its "military requirements for the maintenance of international peace and security" and "the employment and command of forces placed at its disposal."[4] Since the UN's inception, no military forces have been placed at the disposal of UNMSC. Discussions on revitalizing it in the past and increasing its advisory role in the UN peacekeeping operations, including advising on their planning and deployment and their drawdown, reconfiguration, and exit, and coordinating with regional bodies like the African Union, are not relevant today. Despite the ongoing efforts to increase the salience of the UNMSC, it has continued in practice to remain dysfunctional. UN peacekeeping operations have suffered from a deficit of planning of the transition upon conclusion of the UN mission, especially in building the capacities of the countries affected by conflict.[5]

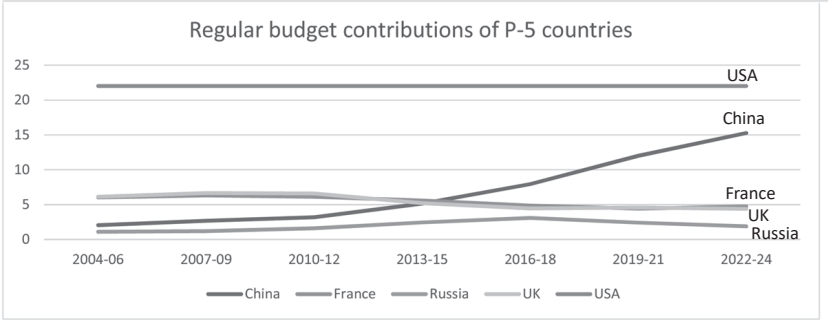
II

One way to breathe new life into multilateralism would be to reform the UN, especially the UNSC, but this might not be an easy undertaking. It was in 1979 that the non-aligned countries inscribed in the UNGA agenda a review of the UNSC membership. Forty-six years later, the matter lies frozen.

The economic equation among the five permanent members of the UN Security Council (P-5: China, France Russia, United Kingdom, and the United States) has been changing dramatically in the 21st century. A tabular and graphic representation of their assessed contributions in percentage terms is seen in Table 2.1.[6]

Table 2.1: Contributions of P-5 members (in percent)

Country	*2004-6*	*2007-9*	*2010-12*	*2013-15*	*2016-18*	*2019-21*	*2022-24*
China	2.053	2.667	3.189	5.148	7.921	12.005	15.254
France	6.030	6.301	6.123	5.593	4.859	4.427	4.718
Russia	1.110	1.200	1.602	2.438	3.088	2.405	1.866
UK	6.127	6.642	6.604	5.179	4.463	4.567	4.375
USA	22.000	22.000	22.000	22.000	22.000	22.000	22.000



China increased its assessed contribution to the UN from 1 percent to over 15 percent between 2001 and 2024 and now contributes more than France, Russia, and the United Kingdom combined. Other P-5 contributions have remained stable, with the US consistently providing 22 percent of the UN's regular budget over the years. Russia's assessed contribution is less than 2 per cent of the UN's budget.

Data about contributions to the UN[7] indicates that governments of the member-states in 1922 contributed just under USD 5.5 billion to the UN's budget. The proportion of voluntary contributions to the UN's budget is increasing. In 2022, it amounted to over USD 3 billion, the overwhelming proportion of which was directed to earmarked activities (outside the core UN budget). Under the circumstances, the budgetary situation of the UN is not comfortable.

The UNSC was last expanded 59 years ago, in 1965, by increasing its non-permanent members from six to ten, given the increase in UN's membership from 51 to 115 between 1945 and 1965. The present membership of the UN stands at 193. The UN member-states are functionally divided into five regional groups and participate in the election of the non-permanent members of the UNSC who are elected for two-year terms. Africa, with 54 states, has no permanent UNSC member and three non-permanent members. Asia, also with 54 states, has one permanent (China) and two non-permanent members. Western Europe and others with 29 states, has three permanent (France, the UK and the United States) and two non-permanent members. The Latin America and the Caribbean region with 33 States, has no permanent and two non-permanent members, and Eastern Europe with 23 States, has one permanent (Russia) and one non-permanent member. The UNSC membership, particularly of its veto-wielding permanent members, is skewed and does not represent the realities of the twenty-first century.

When the UN had 174 member-states in 1992, at its 48th session, the UNGA called for equitable representation of and an increase in the membership of the Security Council. The following year, UNGA established the Open-ended Working Group (OEWG) to begin deliberations. Alarmed, a group of countries set up an informal Coffee Club or Uniting for Consensus group of countries in the UN that essentially sought to maintain the prevailing structure and decision-making processes of the UNSC and prevent any expansion of its permanent seats, in order ostensibly to explore consensus on reforms of the UN system. The prominent members of the Coffee Club include Argentina, Australia, Canada, Italy, Pakistan, South Korea, and Spain, The OEWG was replaced by a process of Intergovernmental Negotiations (IGN) in 2005. Its meagre achievement so far has been the adoption last

year of a "Co-Chairs' revised elements paper on convergences and divergences". The reform process has poor prospects, as symptomized by the poor progress made since the IGN's establishment two decades ago.

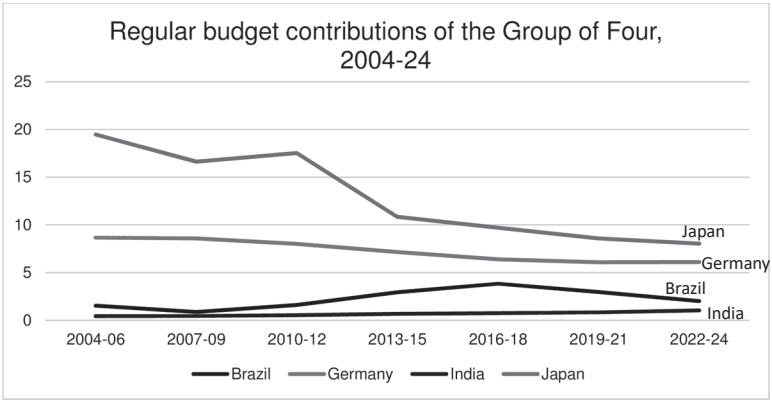
The year 2005 was pivotal in the reform process. Besides the establishment of the IGN, the Group of Four (G4 – Brazil, Germany, India, Japan) and the Uniting for Consensus (UfC) comprising 14 states, Argentina, Canada, Colombia, Costa Rica, Italy, Malta, Mexico, Pakistan, Republic of Korea, San Marino, Spain, and Türkiye, with China and Indonesia as permanent invitees, was constituted the same year. The UfC is popularly known as the Coffee Club.

The G4 proposed an expansion of UNSC membership from the current 15 to 25-26 by adding six permanent (including the members of the G4, plus possibly two members from Africa) and four or five non-permanent members, with the new permanent members having the same rights and responsibilities as the P-5. Since the constitution of the UN, Brazil was elected as a non-permanent member of the UNSC for 10 terms, Germany for four terms (after its unification), Japan for 11 terms, and India for eight terms. Their claims to permanent membership of the Council were buttressed by Japan and Germany becoming major financial contributors to the UN, Brazil being the fifth largest country in terms of territory, and India the largest country in terms of population. The G4 claimed a significant capacity to contribute to the functioning of the UN.

The scale of assessment for the regular budget of the UN from 2004-20024 for the Group of Four (Brazil, Germany, India, Japan) is modest and has declined since the beginning of the 21st century, from 30.085 percent in 2004-06 to 17.201 percent in 2022-24, as reflected in Table 2.2.

Table 2.2: Contribution of the G4 to the UN Budget

Country	*2004-6*	*2007-9*	*2010-2*	*2013-5*	*2016-8*	*2019-21*	*2022-4*
Brazil	1.532	0.876	1.611	2.934	3.823	2.948	2.013
Germany	8.662	8.577	8.018	7.141	6.384	6.090	6.111
India	0.421	0.450	0.534	0.666	0.737	0.834	1.044
Japan	19.470	16.624	17.530	10.833	9.680	8.564	8.033



Japan's contribution declined from 19.470 percent in 2004-2006 to 8.033 percent in 2022-2024. Over the same period, Germany's contribution fell from 8.662 percent to 6.111 percent. India's contributions rose from 0.421 percent (2004-2006) to 1.044 per cent (2022-2024). India had started with an assessed contribution of 4.09 percent of the regular budget of the UN in 1946, reaching a low of 0.299 in 1999. The year India formally presented its candidacy for permanent membership of the UNSC, India's assessed contribution was 0.36 percent of the regular UN budget.

The UfC is firmly opposed to adding new permanent members to the Council. Its latest position paper explains that "the creation of additional and unjustifiable privileged positions within the international community would be detrimental to the general interests of the UN membership." It supports the creation of additional non-permanent seats (both 'long-term' and two-year seats). States elected in the 'long-term' category would be eligible for re-election.[8]

The IGN is discussing reforms under five clusters: membership categories, the question of the veto held by the five permanent members, regional representation, the size of an enlarged Council and its working methods, and the relationship between the Security Council and the General Assembly. The practical paralysis of the UNSC by the abuse of the veto by one of its P-5 members is resented by the other UN members who are increasingly opposed to the veto power of the existing P-5 and potential new permanent members of the Council.

France and the United Kingdom have been most forthcoming in supporting the G4 push for reforms and the candidacy of Brazil, Germany, India, and Japan, plus a representative of Africa as permanent members of a reformed Security Council. In addition to admitting new permanent members to the Council, French President Macron, in 2022, called for curbing the use of the veto in cases of mass atrocities. President Obama, during his visit to New Delhi, stated in the Indian parliament that in the years ahead, "I look forward to a reformed United Nations Security Council that includes India as a permanent member."[9] Although both American and Indian commentators described this as a significant move, it did not move the needle on reforms or Indian membership of the Council. Russia has been bilaterally supportive but guarded in its statements in the UNGA. In his 2022 statement in the Assembly, Russian Foreign Minister Lavrov identified Brazil and India as key international actors and worthy candidates for permanent membership of the Council.[10] The following year though, he restricted himself to criticizing the inadequate representation of Africa, Asia, and Latin America in the Council.[11] The support for UNSC reform and expansion of its membership on the part of Russia and the United States is at best vague and at worst equivocatory.

The 1963 UNGA resolution 1991-XVIII (1963) amended the Charter to expand the UNSC non-permanent members from six to ten. China (the seat was then held by Taiwan) was the only permanent UNSC member that voted in favor. France and the former Soviet Union voted against it, while the United States and the United Kingdom abstained. The expansion took effect in 1965 following the required ratifications. China now opposes the enlargement because the reform process requires consensus as a pre-requisite and moves towards "reasonable" reforms, including ensuring representation for small and medium-sized countries.[12]

The beneficiaries of the present dispensation, the P-5 countries, are reluctant to dilute their prerogatives. To gain their support, the G4 have altered their original stance of seeking permanent membership with the veto. The starting position of the G4 had been that all new permanent members must enjoy all the rights and prerogatives of the existing permanent members from the day the new permanent members assumed their roles. To circumvent the roadblock to the reform process, the Indian Permanent

Representative to the UN had in 2010 stated in the IGN that the new permanent members should not exercise the right of veto until the question of the extension of the right of veto to new permanent members had been decided upon in the framework of the review mandated 15 years after the entry into force of the Council reform. At the same time, the G4 hopes that the new permanent members will have the same responsibilities and obligations as the current permanent members.[13]

According to the UN Charter (Article 108), amendments to the present Charter require adoption by a vote of two-thirds of the members of the General Assembly and ratification by two-thirds of the members of the United Nations, including all the permanent members of the Security Council. Some among the latter, especially China, oppose diluting their privilege and harp on the need to seek consensus among the UN member-states, knowing that this will never come about.

Given the impasse on the issue in the IGN, since 2021 in particular, the G4 countries have been seeking text-based negotiations so that the UNGA could take a vote on the enlargement of the UNSC, as it had done in 1963 despite the absence of support for the resolution on the part of four of the P-5 members of UNSC (who subsequently ratified the proposed enlargement). The G4 now wanted the Co-Chairs' Revised Elements Paper circulated on May 16, 2022, to be converted to "a single streamlined text" to facilitate progress at the IGN.[14] Admittedly, the G4's momentum has slowed, with growth faltering in Germany and Japan. At the UN Summit of the Future in September 2024, the G4 sought an agreement on text-based negotiations in the IGN, but this did not happen.

III

The 2024 UN Summit of the Future, under rigorous preparation for over a year, delivered an 'action-packed' Pact of the Future, but on scrutiny, it contains general principles, observed so far only in their breach. It reads as a compendium of pious intentions. This does not augur well for the prospects of the progressive concretion of the stated objectives of the international community contained in the Pact.[15] The Guiding Principles of a separate Declaration on Future Generations adopted by consensus

together with the Pact, for instance, stated in its very first commitment: "The maintenance of international peace and security, and the full respect for international law, must be promoted in line with the purposes and principles of the Charter of the United Nations."[16] Less than a month later, the speakers at the First Committee of the UNGA bemoaned the fact that there were "alarming signs that multilateralism has run out of steam."[17] The Pact recommitted to accelerating the implementation of the 2030 Sustainable Development Goals (SDG) Agenda. A mid-term assessment of the SDG carried out by the UN revealed that only 15 percent of the targets are likely to be achieved. There are some goals on which progress has been either zero or negative. Similarly, on climate change, the Pact confirmed the need to keep global temperature rise to 1.5°C above pre-industrial levels, to achieve net-zero emissions in 2050 and promote environment-friendly policies. The emitting countries have gone back on their commitments, the national targets set are voluntary, and the developed countries have reneged on their promise to provide the funding required by the developing countries for the technologies for the energy transition entailed.

The UN has advertised one of the Pact's most significant achievements as the "first recommitment to nuclear disarmament in nearly 15 years," through a clear commitment to the goal of the total elimination of nuclear weapons, as well as concrete steps on all aspects of disarmament.[18] It is odd to make this claim at a time when almost all the nuclear weapon-states are busy expanding their arsenals and improving their weapons delivery systems.

The prevailing circumstances have induced many foreign policy experts and practitioners, especially realist theorists of international relations, to write epitaphs of multilateralism. It is counterintuitive to suggest that at a time of declining international cooperation, the imperative is to push for renewed multilateralism. This is needed because of the looming threats facing almost all countries of the world such as climate change, water and food scarcity, economic inequality among and within all countries and regions, the dislocation of international trade, and the threat of future pandemics, as well as the challenge of technological change, including big data and artificial intelligence. Even if the institutions that underpin the international system, including the UN and one of its principal organs, the UNSC, are not reformed, there is value in exploring ways of developing new partnerships

whose cumulative impact will lead to a revitalized and healthy interdependence.

ENDNOTES

1 'America First': The full text of President Donald Trump's first speech to the UNGA, September 19, 2017, https://www.nbcnews.com/politics/white-house/america-first-read-trump-s-full-united-nations-speech-n802676; and President Trump's speech to the UNGA, September 25, 2018, https://www.vox.com/2018/9/25/17901082/trump-un-2018-speech-full-text (accessed September 27, 2024).

2 Trump White House, "Statement of September 24, 2019," https://trumpwhitehouse.archives.gov/briefings-statements/remarks-president-trump-74th-session-united-nations-general-assembly/ (accessed September 27, 2024).

3 See Geoffrey Wiseman, "Polylateralism and New Modes of Economic Dialogue," in Christer Jonnson and Richard Longhorne (eds), *Diplomacy*, volume III (London: Sage Publications, 2004), 36–57.

4 United Nations, "United Nations Charter (full text)," Articles 46 & 47, https://www.un.org/en/about-us/un-charter/full-text (accessed April 16, 2025).

5 Security Council Research Report, "UN Transitions in a Fractured Multilateral Environment," https://www.securitycouncilreport.org/atf/cf/%7B65BFCF9B-6D27-4E9C-8CD3-CF6E4FF96FF9%7D/transitions_2023.pdf (accessed April 13, 2025).

6 United Nations, "Contributions - Scale of assessments 1946-2024," https://www.un.org/en/ga/contributions/Scale%20of%20Assessments%20for%20RB%201946-2024.pdf (accessed September 10, 2024).

7 UN System Chief Executives Board of Coordination (CEB), https://unsceb.org/fs-contributor-type (accessed August 30, 2024).

8 "Joint Press release of the "Uniting for Consensus" Group," March 27, 2023, https://www.sioi.org/uniting-for-consensus-group-27-march-2023/ (accessed September 15, 2024).

9 Obama White House, "Remarks by the President to the Joint Session of the Indian Parliament in New Delhi," India, November 8, 2010, https://obamawhitehouse.archives.gov/the-press-office/2010/11/08/remarks-president-joint-session-indian-parliament-new-delhi-india (accessed September 23, 2024).

10 "Foreign Minister Sergey Lavrov's remarks at the General Debate of the 77th Session of the United Nations General Assembly," September 24, 2022, https://mid.ru/en/foreign_policy/news/1831211/ (accessed September 23, 2024).

11 "Foreign Minister Sergey Lavrov's statement at the General Debate at the 78th session of the UN General Assembly," September 23, 2023, https://mid.ru/en/foreign_policy/news/1905973/ (accessed September 23, 2024).

12 "China supports reasonable reform of UN Security Council: envoy," *Xinhua*, November 26, 2019, http://www.xinhuanet.com/english/2019-11/26/c_138583447.htm (accessed September 23, 2024). Chinese commentators have suggested that China could consider India's candidacy positively if it stopped supporting Japan as part of G4.

13 "Intervention by Hardeep Singh Puri, Permanent Representative of India to the UN, at the informal meeting (closed) of the plenary on the intergovernmental negotiations on the question of equitable representation on and increase in the membership of the Security

Council and other matters related to the Council," July 7, 2010, https://pminewyork.gov.in/pdf/uploadpdf/68540ind1706.pdf (accessed September 15, 2024).

14 "Joint Statement of the G4 (Brazil, Germany, India, Japan), Intergovernmental Negotiations on Security Council Reform," March 9, 2023, https://new-york-un.diplo.de/un-en/-/2586916 (accessed September 23, 2024).

15 The Pact of the Future was adopted at the UN Summit of the Future on September 22, 2024. See https://www.un.org/sites/un2.un.org/files/sotf-pact-for-the-future-deck.pdf (accessed April 13, 2025).

16 Pact for the Future, Global Digital Compact and Declaration on Future Generations, 59, https://www.un.org/sites/un2.un.org/files/sotf-pact_for_the_future_adopted.pdf (accessed April 13, 2025).

17 "There Are 'Alarming Signs Multilateralism Has Run Out of Steam', First Committee Hears as General Debate Enters Second Week," UN Press Release, October 14, 2024, https://press.un.org/en/2024/gadis3740.doc.htm (accessed April 10, 2025).

18 United Nations, "Pact for the Future: What it Delivers," September 2024, https://www.un.org/sites/un2.un.org/files/our-common-agenda-summit-of-the-future-what-would-it-deliver.pdf (accessed April 13, 2025).

3

Transatlantic Relations under Trump 2.0

Niklas Swanström

The return of Donald Trump to the White House in January 2025 constitutes a watershed moment for transatlantic relations and global supply chain architecture. Trump's first term was characterized by an uncompromising "America First" approach to international trade and security. The second term has proven to be considerably worse, and coupled with what many European leaders perceived as a monumental disregard for European security interests and Ukraine specifically. This approach will systematically undermine long-standing transatlantic partnerships and multilateral frameworks that had provided stability for over seven decades. As Europe braces for the policies of "Trump 2.0", European nations find themselves at a critical strategic inflection point, requiring exceptional foresight and adaptability to navigate an increasingly fractured geopolitical landscape. Official statements from Europe are often a tad more diplomatic, but the reality is that Europe needs to de-risk its relations with the US over time. Despite that even the Russia media have claimed, in a victorious way, that Trump has been running a chainsaw through the West, it is more than simply a change ordained by one person. The more conflictual and isolationist tendencies are also present in prior administrations, even if Trump has taken it to a different level.

The deeply interconnected nature of modern supply chains represents both a profound vulnerability and a potential leverage point in this context. European economies, thoroughly integrated with global markets, particularly

American commerce, face imminent disruption from renewed American protectionism and disregard for international security and diplomatic norms. Simultaneously, Europe confronts the imperative of maintaining a unified stance against Russian aggression despite economic headwinds. This chapter examines the trajectory of transatlantic relations under Trump's second administration, focusing on supply chain vulnerabilities, tariff implications, and the strategic imperative of sustaining sanctions against Russia despite mounting economic pressures while assessing Europe's viable strategic alternatives.

3.1 The Erosion of Transatlantic Economic Relations

The transatlantic economic relationship remains the most extensive and most integrated commercial partnership in the world, with the EU and US accounting for approximately 40 percent of global GDP and nearly one-third of world trade flows.[1] Shared values, complementary economic strengths, and mutual strategic interests have traditionally underpinned this relationship. However, President Trump's trade disputes, divergent regulatory approaches, and fundamentally shifting strategic priorities that place bilateral transactionalism above multilateral cooperation have systematically eroded its foundations.

European supply chains have been profoundly intertwined with American markets across multiple strategically significant sectors, including automotive, pharmaceuticals, aerospace, digital services, and energy. The COVID-19 pandemic and subsequent recovery highlighted these connections' vulnerabilities and strategic importance, prompting European policymakers to pursue greater "strategic autonomy" while attempting to maintain essential transatlantic links in a deteriorating geopolitical environment.

During Trump's first term, transatlantic trade relations encountered unprecedented turbulence, with tariffs imposed on European steel and aluminum under dubious Section 232 "national security" justifications and credible threats of additional tariffs on automotive imports that would have devastated European manufacturers.[2] The Biden administration partially ameliorated some of these tensions, but fundamental differences remain

unresolved, particularly regarding industrial subsidies, digital taxation, and climate-related trade measures.[3] This is not to say that the EU is innocent to contributing to increased tariffs and regulations; there are plenty of cases where the EU has been pushing for decreased free flow of trade.[4] The deterioration of trade relations now looms ominously as Trump implements an even more assertive trade agenda and fewer institutional constraints on executive action.

3.2 Trump's Trade Policies: From Disruption to Systemic Challenge

Based on his first administration's policies and campaign rhetoric, Trump's second term has already initiated an intensified approach to trade policy characterized by several key elements that collectively represent a systemic challenge to the liberal trading order. Foremost among these are expanded tariffs and import restrictions deployed not merely as negotiating tactics but as permanent features of American economic policy. Trump has consistently advocated for higher baseline tariffs across all imports, with proposals ranging from 10-20 percent on goods from allied nations and potentially 60 percent or higher on Chinese imports.[5] Unlike his first term, when tariffs were applied selectively and often erratically, Trump 2.0 appears to pursue a more comprehensive application of import restrictions as economic policy and negotiating leverage.

There is also deep institutionalized skepticism toward multilateral institutions within the US administration. The World Trade Organization (WTO), which struggles to function effectively, now faces existential challenges as the administration returns to bilateral approaches to trade disputes and negotiations. This is in line with Trump's general policy of decreasing the influence of international and multilateral organizations. This paradigm shift significantly undermines Europe's position, as the continent has traditionally relied on the multilateral trading system to protect its interests against more considerable economic powers in a rules-based environment that constrain unilateral action.

Trump's persistent fixation on trade deficits as the primary metric of economic relationships suggests that European nations with significant surpluses in goods trade with the US (particularly Germany) will face

intensified pressure. The administration's approach frames these imbalances not as natural outcomes of comparative advantage and consumer preferences, but as evidence of unfair practices requiring correction through aggressive trade measures. Similarly, the administration shows increasing willingness to challenge European industrial policies, especially those related to digital services taxation, green transition subsidies, and technology regulation, viewing them as unfair barriers to American businesses rather than legitimate expressions of regulatory sovereignty.

Perhaps most concerningly, trade and security policies are becoming explicitly linked in the form of economic statecraft that use commercial relationships as leverage in security arrangements. The evidence of US impatience, and skewed world-view, is Vice-President Vance's claim that a potential European defense of Ukraine was not possible due to the fact that UK and France were some random states who have not fought a war in 30-40 years, totally disregarding the thousands of men and women who have died in the defense of US interests in Afghanistan, Iraq and other international conflicts.[6] Defense spending commitments, NATO contributions, and cooperation on China policy are increasingly positioned as preconditions for favorable trade treatment, but to what end if the US continues to treat one of its closest allies, the UK, as a "random state". This instrumentalization of security cooperation represents a profound challenge to the post-war transatlantic consensus, which generally maintained economic and security arrangements in separate diplomatic channels to prevent economic coercion from undermining collective security.

3.3 Tariff Scenarios and Cascading Effects on Integrated Supply Chains

The imposition of new or increased tariffs on European exports would have cascading effects across integrated supply chains that extend far beyond immediate price effects. Three distinct scenarios warrant careful examination, each with profound implications for European economic interests and transatlantic relations.

The first scenario envisions targeted sectoral tariffs concentrated on industries of strategic or symbolic importance.[7] Under this approach, Trump would impose punitive tariffs on specific European sectors deemed

competitively threatening to American interests or politically significant. Prime targets include the automotive industry (mainly German luxury vehicles, which have long been rhetorical targets), wine, spirits, and specialty food products (which carry political significance due to their regional importance within Europe), green technology, and renewable energy equipment (viewed as competing with American energy dominance), and pharmaceuticals and medical devices (framed as national security concerns). These targeted tariffs would create severe disruption in affected sectors while allowing broader trade to continue, potentially dividing European unity as countries with different sectoral exposures pursue divergent responses. European manufacturers in targeted industries would face painful choices between margin compression, price increases that risk market share, or fundamental supply chain restructuring to increase US-based production.

A more comprehensive and systemically disruptive scenario involves implementing the proposed 10-20 percent baseline tariff across all or most European imports.[8] This broad-based tariff regime would fundamentally reconfigure the economics of transatlantic trade by disrupting intricate value chains spanning both sides of the Atlantic, particularly in industries characterized by multiple cross-border movements of components and intermediate inputs. We would witness accelerated nearshoring and friend-sharing initiatives already underway following pandemic disruptions, with European companies forced to concentrate more production within American borders to serve that market. Small and medium enterprises would bear disproportionate burdens as they typically lack the resources, scale, and organizational capacity to navigate complex tariff environments and restructure operations. The resulting inflation in both American and European markets would create significant economic damage on both sides of the Atlantic, raising questions about the sustainability of such an approach, even from an American perspective, but not from a Russian, Chinese or necessarily Trump perspective.

The third scenario employs tariff threats primarily as leverage to collectively secure preferential bilateral arrangements with individual European nations or the EU.[9] This negotiated approach would aim to extract specific concessions regarding increased purchases of American goods (particularly LNG and agricultural products), reduced regulatory barriers

to US products and services, concessions on digital services taxation, increased defense spending commitments, and greater alignment on China policy. This scenario would present challenges for European unity, as different member-states have varying exposure to US markets and divergent security relationships with Washington, creating opportunities for wedge strategies that have already proven effective in fragmenting European consensus on other issues.

3.4 Europe's Strategic Response Options

Confronting these challenging scenarios, European nations and the EU must develop a coordinated strategy that balances immediate economic interests against long-term strategic objectives. Several potential response pathways present themselves, each with distinct advantages and limitations that must be carefully weighed against broader geopolitical considerations, but they all need to enforce counter actions against the US and particularly the interests of Trump's business and political partners.

The EU possesses established mechanisms to implement defensive counter-measures against unilateral tariffs, including targeted retaliatory tariffs on politically sensitive American exports from electorally significant states. During Trump's first term, the EU demonstrated the legal preparation and political will to implement such countermeasures, carefully selecting products from regions with political importance in American electoral calculations. However, an escalating cycle of tariffs and counter-tariffs would damage both economies while potentially fragmenting European unity if economic pain is unevenly distributed across member-states with different sectoral vulnerabilities. This approach, therefore, represents a necessary deterrent and response mechanism but an insufficient comprehensive strategy for managing the broader challenge. This said, Europe would need to counter the US tariffs with its own tariffs against the US market to create a level playing field regardless of the risks of escalations.

European businesses can accelerate ongoing efforts to reduce dependence on the US market by diversifying both markets and supply chains. This includes deepening economic engagement with Asia-Pacific markets, including China, through existing trade agreements, expanding commercial relationships with Latin America (mainly through the long-negotiated EU-

Mercosur agreement), strengthening intra-European supply chains, deregulation, and market integration to build scale, and developing strategic commercial partnerships with India and other emerging economies. While this diversification strategy offers long-term resilience, it cannot fully compensate for reduced access to the world's largest consumer market in the short term, necessitating complementary approaches.

The EU has already launched initiatives to build greater strategic autonomy in critical sectors, including the European Chips Act, Critical Raw Materials Act, and various Green Deal Industrial Plan elements. Under increased tariff pressure, these efforts could be intensified and expanded to include increased public investment in strategic industries and technologies, enhanced coordination of member state industrial policies to prevent fragmentation, expanded use of Important Projects of Common European Interest (IPCEI) mechanisms to enable larger-scale initiatives, and acceleration of digital transformation initiatives to enhance productivity and competitiveness. This approach aligns with broader European strategic objectives but risks provoking further trade tensions if perceived as protectionist by American policymakers, the irony is not missed by the author, requiring careful framing as defensive rather than offensive measures.

Rather than pursuing comprehensive trade agreements, which would be politically and practically infeasible under Trump 2.0, Europe could pursue targeted sectoral contracts in mutual interest through focused bilateral engagement. This could include digital trade and data flow frameworks, cooperation on critical minerals and clean energy supply chains, medical research and pharmaceutical harmonization, and strategic technology standards. This pragmatic approach recognizes the reality of Trump's transactional trade preferences while safeguarding critical economic relationships in domains where American and European interests continue to align despite broader tensions.

As the Trump administration systematically disengages from multilateral institutions, Europe faces the necessity and opportunity to build stronger coalitions with like-minded middle powers committed to preserving rules-based international commerce. This multilateral coalition-building strategy extends beyond rhetorical alignment to develop concrete mechanisms for coordinated economic governance in a fragmenting world order. Such an

approach would center on deepening cooperation with democracies sharing fundamental economic interests and governance values, including Canada, Japan, Australia, New Zealand, South Korea, and potentially democratic emerging economies such as India, Brazil, and select Southeast Asian nations.

The potential benefits of this "middle power coalition" approach are substantial and multifaceted. By aggregating their economic weight—collectively representing approximately 25-30 percent of global GDP—these powers could maintain sufficient market leverage to incentivize compliance with multilateral norms even without American leadership. Coordinated procurement strategies, technical standards, and regulatory approaches could create a parallel economic architecture that preserves liberal economic principles while addressing legitimate concerns about economic security. Shared investment in critical supply chain nodes could reduce collective vulnerabilities while maintaining economic efficiency through appropriate specialization rather than duplicative capacity. Joint innovation initiatives in strategic technologies could pool resources to maintain competitiveness against American and Chinese economic blocs without requiring unsustainable individual investments. Perhaps most importantly, this approach preserves and extends the rules-based system that has particularly benefited middle powers lacking the raw economic mass to impose terms unilaterally.

However, this strategy entails significant complexity and potential limitations that must be acknowledged. First, these middle powers often maintain substantial economic relationships with the United States and China, creating complex cross-pressures that may limit coordination on sensitive issues. Divergent regional security concerns—particularly regarding each nation's relationship with China—could undermine economic alignment, as security imperatives frequently undermine commercial interests. Institutional capacity constraints plague many potential partners, particularly emerging economies that may lack the governance infrastructure to implement sophisticated coordination mechanisms. The persistent challenge of collective action problems emerges when short-term individual advantages conflict with longer-term collective interests, particularly during economic downturns when protectionist pressures intensify. Finally, the strategic depth of such coalitions remains uncertain—while they may

collectively possess significant economic weight, they lack the military-industrial capacity and technological leadership that underpins American economic power and the demographic scale that drives Chinese influence.

Despite these challenges, middle-power coalition-building represents perhaps the most promising pathway for preserving European economic interests and values in a world where traditional leadership has become unreliable. This approach would require institutional innovation beyond existing frameworks, potentially including new plurilateral agreements focused on specific sectors, enhanced coordination mechanisms between regulatory authorities, and formalized consultation processes that identify shared vulnerabilities and develop coordinated responses. These relationships need not be formalized in comprehensive treaties, often proving politically unattainable. Still, they could instead develop through pragmatic, sector-specific arrangements that gradually build cooperation and policy alignment habits. This strategy preserves European commitment to multilateralism while creating broader coalitions to address shared challenges posed by market distortions.

The prospect of enhanced economic engagement with China as a counterbalance to American protectionism represents perhaps the most consequential strategic choice facing Europe in this new landscape. The potential benefits of deepened Sino-European cooperation are substantial and immediate. China's immense market offers an alternative destination for European exports facing American tariffs, potentially preserving industrial capacity and employment in key sectors. Chinese investment could help fill funding gaps in European infrastructure and technology development, particularly if American capital becomes more restricted. Strategically, closer alignment with China could give Europe greater leverage in negotiations with Washington by demonstrating that European economies have viable alternatives to American markets and are not solely dependent on transatlantic trade.

However, this approach carries profound structural risks beyond immediate commercial calculations. Increased economic integration with China would inevitably deepen European dependency on Chinese supply chains at precisely the moment when Beijing is leveraging economic relationships for geopolitical advantage. China's state-capitalist model

presents fundamental challenges to European economic governance, with Chinese companies often benefiting from subsidies, preferential regulatory treatment, and forced technology transfers that distort competition. These practices contradict Europe's commitment to a level playing field and rules-based commerce. The Chinese government's use of economic coercion against countries adopting policies it disapproves of—as witnessed in cases involving Australia, Lithuania, and others—offers cautionary tales of how economic dependence can constrain strategic autonomy.

Furthermore, deeper Sino-European economic integration would occur against intensifying systemic rivalry between democratic and authoritarian governance models. Europe's normative commitments to human rights, democratic governance, and the rule of law starkly contrast China's increasingly assertive authoritarian system. These differences cannot be neatly separated from economic relations, particularly as China seeks to reshape global governance institutions according to its preferences. European policymakers must consider whether short-term economic gains might come at the expense of long-term strategic interests and fundamental values. Still, it is increasingly clear that the US will not necessarily bear the EU's way, and President Xi compares well with Donald Trump.

The optimal approach likely involves selectively deepening economic engagement with China in carefully delineated sectors where mutual benefits can be realized without creating strategic vulnerabilities while simultaneously strengthening European defensive economic instruments to prevent unfair competition and financial coercion. This balanced strategy would maintain Europe's strategic optionality—engaging with China where advantageous while preserving the capacity to protect core interests when necessary. Navigating this complex triangular relationship between Europe, China, and the United States requires extraordinary diplomatic finesse and a clear-eyed assessment of opportunities and risks that transcend purely commercial considerations, with decisions guided by long-term strategic thinking rather than short-term economic expediency.

3.5 The Imperative of Maintaining Russian Sanctions

It remains strategically imperative for Europe to maintain a robust sanctions regime against Russia, regardless of any potential peace settlement that fails to secure Ukrainian sovereignty and territorial integrity but also Europe's long-term security. This represents an increasingly complex challenge as Donald Trump, China, North Korea, Iran, and India further normalize economic relations with Russia, potentially isolating Europe in its sanctions stance. European sanctions, coordinated with the United States and other G7 nations, have significantly constrained Russia's ability to finance its war in Ukraine and access critical technologies.

Several factors threaten the sustainability of this sanctions coalition as it enters its third year. European economies, particularly energy-intensive industries in Central and Eastern Europe, have absorbed significant costs from the sanctions regime and subsequent Russian countermeasures. Rising energy costs, persistent inflation, and supply chain disruptions have created political pressures in several member-states. If transatlantic trade tensions escalate, the additional economic strain could amplify calls to relax sanctions for monetary relief. This creates vulnerability to Russian influence operations specifically designed to fragment European unity on sanctions policy.

Trump's first term was characterized by a complex and often contradictory approach to Russia, with the administration simultaneously implementing significant sanctions. At the same time, the president expressed personal skepticism about their necessity and maintained warm relations with Putin. A fundamental shift in US policy toward Russia under Trump 2.0 have placed enormous pressure on the European sanctions coalition, potentially fragmenting European unity on the issue and requiring extraordinary political courage to maintain a principled stance independent of American leadership—particularly if the US actively undermines sanctions rather than merely withdrawing support.

Despite these formidable challenges, maintaining a coordinated sanctions regime against Russia remains essential for several compelling strategic and normative reasons. The cumulative impact of Western sanctions has significantly constrained Russia's war economy, limited its access to critical

technologies, and undermined its long-term economic prospects. Relaxing sanctions prematurely would surrender this strategic leverage precisely when their effects become most pronounced as Russia depletes reserves and workarounds prove insufficient. Sanctions remain one of the most potent non-military tools available to impose costs on Russian aggression and potentially influence future behavior by establishing clear consequences for violations of international norms.

To maintain an effective sanctions regime amid potential transatlantic tensions and economic pressures, European policymakers should pursue several mutually reinforcing approaches that distribute costs while maximizing impact. First, sanctions must be continuously refined to maximize pressure on Russia's strategic capabilities while minimizing collateral economic damage to European industries through sophisticated sanctions optimization. This requires advanced financial modeling, intelligence sharing, and agile implementation to target vulnerabilities while building resilience in affected European sectors.

Second, accelerate the development of alternative energy sources and infrastructure to permanently reduce vulnerability to Russian energy leverage through a comprehensive energy transition. This geopolitical imperative aligns with climate objectives, creating the potential for cross-sector cooperation despite short-term economic challenges. The REPowerEU initiative provides a foundation for this approach but requires additional investment and political commitment to achieve true energy independence.

Third, focused assistance should be implemented for industries and regions most affected by the combined impact of sanctions and potential tariffs through targeted economic support mechanisms. This burden-sharing approach recognizes the uneven distribution of costs across sectors and regions, preventing political fragmentation on sanctions policy by ensuring solidarity in absorbing economic impacts. Potential instruments include dedicated transition funds, favorable financing for affected industries, and regional development initiatives.

Fourth, clear public messaging about the purpose and effectiveness of sanctions should be maintained to sustain public support through strategic communication. The democratic nature of most European societies requires maintaining broad social consensus on sanctions despite economic hardship,

necessitating transparent and compelling articulation of moral and strategic imperatives. This communication must honestly acknowledge costs while emphasizing the more significant costs of inaction. Additionally, Europe would need to manage their own soft belly towards Russia, such as Fico's Slovakia and Orban's Hungary that have actively been promoting Russia's interest within the EU, and countering any just resolution of Russia's invasion of Ukraine.

Fifth, engage actively with the Trump administration to distinguish the Russian sanctions regime from broader trade disagreements, emphasizing the shared security interests at stake through persistent diplomatic engagement. Even as transatlantic tensions rise in economic domains, maintaining alignment on core security concerns remains vital for European interests. This requires sophisticated diplomatic outreach to multiple centers of influence within the US administration rather than relying solely on formal channels.

3.6 Reconstructing Supply Chain Resilience for a Fragmented World

The dual challenges of potential tariff barriers and the need to maintain Russian sanctions necessitate a fundamental rethinking of European supply chain strategies. Several principles can guide this transformation toward systems that balance efficiency with security and commercial interests with strategic imperatives in an increasingly fragmented global economy.

European policymakers and businesses need comprehensive visibility into supply chain vulnerabilities across key sectors. Through systematic strategic mapping and vulnerability assessment, they must identify critical dependencies on both US and Russian inputs and markets. This assessment must extend beyond direct trade relationships to include secondary effects through third countries, financial linkages, and technological dependencies that may not be immediately apparent. The resulting intelligence provides the foundation for targeted interventions and policy priorities that first address the most critical vulnerabilities.

Rather than pursuing either complete reshoring or maintaining the status quo, European supply chains need thoughtful diversification with strategic redundancy in critical areas. This means developing multiple sources for

essential inputs and various routes to market, even at the cost of some economic efficiency that has characterized just-in-time global supply chains. The post-pandemic era has already demonstrated the feasibility and necessity of this approach, with companies willingly accepting higher costs to achieve excellent reliability and resilience.

As global trade potentially fragments into competing economic spheres of influence, Europe can strengthen supply chain connections with partners sharing fundamental values regarding market economics, the rule of law, and democratic governance through friend-shoring within aligned value frameworks but also with states as China. This approach offers resilience without abandoning the benefits of international specialization that have driven European prosperity, creating a middle path between complete globalization and protectionist isolation that preserves efficiency while enhancing security.

Advanced digital technologies, including AI-powered analytics, blockchain traceability, and digital twins of physical supply chains, can significantly enhance visibility and adaptability across complex global networks. European investments in these capabilities would strengthen economic competitiveness and security, enabling real-time monitoring and response to disruptions while reducing information asymmetries plaguing supply chain management during crises.

Europe's substantial regulatory influence represents a strategic asset in shaping future supply chain governance that should be deployed systematically. By developing forward-looking standards for sustainability, security, and transparency, Europe can help define future trade rules even amid a challenging geopolitical environment, turning its market power into normative leadership even as American engagement with multilateral frameworks wanes. This standards-setting approach leverages Europe's comparative advantage in regulatory coherence and can shape global commerce even without direct control over all trade flows.

3.7 European Strategic Autonomy in an Age of Disruption

The return of Donald Trump to the White House presents Europe with profound challenges to its economic interests and security partnerships, particularly regarding integrated supply chains and the maintenance of Russian sanctions. However, this disruption also creates a strategic necessity and political opening for European nations to accelerate long-overdue transformations toward greater resilience, strategic autonomy, and value-based international partnerships. Europe needs to diversify its trade relations away from the US and towards more likeminded states, or states that could counter US threats and pressure.

The most promising path forward combines pragmatic engagement with the Trump administration on areas of mutual interest, determined defense of essential European economic interests, strategic investments in future competitiveness, and unwavering commitment to the principles underlying the Russian sanctions regime. This balanced approach recognizes that transatlantic relations remain essential to European prosperity and security, even as Europe develops a greater capacity for independent action in domains where American and European interests diverge, such as in Asia.

European leaders face difficult choices in balancing immediate economic pressures, long-term security imperatives, and foundational democratic values. The decisions in responding to Trump's trade policies will shape not only Euro-Atlantic relations but also the future of global economic governance and Europe's place within it. By approaching these challenges with strategic clarity and unity of purpose, Europe can navigate this period of disruption while building more resilient supply chains and maintaining essential pressure on Russia's war economy.

The next four years will test European resilience and strategic vision unprecedentedly. Success will require unprecedented coordination among member-states, creative diplomatic engagement with multiple international partners, and a forward-looking industrial policy that positions Europe for technological leadership in key domains. The stakes could not be higher, but Europe possesses the economic weight and institutional capacity to secure its interests in this challenging new era of transatlantic relations. The question

is not whether Europe can afford to pursue strategic autonomy but can it afford not to in a world where traditional partnerships face fundamental rethinking and the rules-based order underpinning European prosperity requires active defense and renewal.

ENDNOTES

1 Council of the European Union, "EU-US Trade," March 4, 2025, https://www.con silium.europa.eu/en/infographics/eu-us-trade/#:~:text=The%20European%20Union%20and%20the,and%2043%25%20of%20global%20GDP.

2 US Department of State, "Section 232 Investigation on the Effect of Imports of Steel on U.S. National Security," March 4, 2025, https://www.commerce.gov/issues/trade-enforcement/section-232-steel.

3 Thomas Schoenbaum, "The Biden Administration's Trade Policy: Promise and Reality," *German Law Journal* 24, no. 1 (2023): 102–124, https://www.cambridge.org/core/journals/german-law-journal/article/biden-administrations-trade-policy-promise-and-reality/64CB634F8B6B56FE14CAB344A828E5F2.

4 Niklas Swanström, Fredrik Erixon, Mrittika Guha Sarkar, *The US and EU, and the Emerging Supply Chain Network* (Estes Park: Armin Lear Press, 2024).

5 Shilan Shah and Marcel Thieliant, "Trump, tariffs and global supply chains," Capital economics, January 14, 2025, https://www.capitaleconomics.com/publications/global-economics-focus/trump-tariffs-and-global-supply-chains.

6 Zahra Khalil, "JD Vance calls UK 'some random country that hasn't fought war in 30 years'," *The Mirror*, March 4, 2025, https://www.mirror.co.uk/news/us-news/jd-vance-calls-uk-some-34790099.

7 Adam Hersh and Josh Bivens, "Tariffs - Everything you need to know but were afraid to ask," Economic Policy Institute, February 10, 2025, https://www.epi.org/publication/tariffs-everything-you-need-to-know-but-were-afraid-to-ask/.

8 Aurelien Saussay, "The Economic Impacts of Trump's Tariff Proposals on Europe," London School of Economic, Policy Insight, October, 2024, https://www.lse.ac.uk/granthaminstitute/wp-content/uploads/2024/10/Economic-impacts-of-the-Trump-Tariff-Proposals-on-Europe.pdf.

9 Majda Ruge, "Facing Trump´s tariff war: A defensive blueprint for the EU," European Council on Foreign Relations, February 19, 2025, https://ecfr.eu/article/facing-trumps-tariff-war-a-defensive-blueprint-for-the-eu/.

II. STRATEGIES FOR JAPAN-INDIA-EU COOPERATION

4

VIP Alignment? Enhancing Technology Cooperation between Japan-India-EU for Economic Security

Maaike Okano-Heijmans and Jelle van den Wijngaard

Strengthening and securing economic security is crucial for Japan, India and the EU in the face of an increasingly contested and unstable geopolitical context. Enhanced capabilities and unwanted dependencies and vulnerabilities are being addressed—particularly in their relationships with China and Russia. Growing uncertainties in the relationship with the US are further reason to strengthen collaboration and fill the global leadership vacuum. (Digital) technologies play an important role in the push for economic security, as they define countries' competitiveness and national security. Securing semiconductor supply chains, critical raw materials and quantum technologies; investing in competitiveness in digital markets, services and AI; and ensuring safe and reliable digital governance are *chefsache* in capitals worldwide.

To succeed, Tokyo, New Delhi and Brussels—together with partners—must harness the potential of digital technologies and advance a positive, rights-respecting vision for innovation and competitiveness. Enhanced trilateral action is needed to further three categories of objectives: (1) assisting each other to strengthen the economic security of each, for example through joint investments in R&D and supply chain stability and security; (2) coordination of partnerships with third countries, tailoring to their needs

and risk perception to promote open and ethical technology adoption globally; and (3) to ensure digital governance that upholds open, secure and ethical technological innovation and application.

Successful trilateral cooperation that serves these objectives requires that the partners are aligned on Values, Interests and Priorities (VIPs). This chapter assesses where such alignment is in place or may realistically be fostered in the years to come. It starts with an analysis of the geopolitical developments that are pushing Japan, India and the EU towards VIP alignment. Next follows an overview of the technologies that the three partners have identified as critical for their economic security. The chapter then assesses existing frameworks for technology collaboration in five technology areas where VIP alignment appears to be in place; namely semiconductors, AI, quantum, connectivity technologies, and energy technologies. Digital governance is discussed as a sixth promising field for trilateral collaboration. Findings show that collaborative efforts are for now mostly bilateral. Elevating bilateral platforms to the trilateral level will benefit the economic security of each, both at home and in relationship to third countries.

4.1 Alignment on Values, Interests and Priorities (VIPs)?

A trilateral partnership between Japan, India and the EU that benefits each and all three at the same time requires alignment on VIPs. Such alignment has begun to emerge on all three fronts only recently,[1] driven by rising systemic competition with China, uncertainty about the reliability of the US as a strategic partner, and a shared desire to decrease strategic dependencies on Russia.

Of the three VIP-elements, alignment on Values has been evident the longest. Throughout the past decades, political leaders' speeches and formal summit statements have emphasized the democratic nature of the partners' political systems and societies, the interest in multilateralism, and shared values of the belief in freedom, equality, tolerance and the rule of law. For example, as early as 1991 the (then) European Community (EC) and Japan issued a Joint Declaration, affirming their 'common attachment to freedom, democracy, the rule of law and human rights', as well as to market principles and the promotion of free trade.[2] More recently, an example of values

alignment is found in the 15th EU-India Summit of 2020, in which the two partners define themselves as 'the world's two largest democracies', determined to 'promote effective multilateralism and a rules-based multilateral order.'[3]

On Interests, the three have come to align in the past 5-10 years. Concern with China's growing international role and influence has been a key unifying factor. Japan and India have long experienced China's growing domination of their near neighborhood. Pressure on their geographical boundaries rose as the Chinese military took an increasingly assertive stance vis-à-vis its neighbors. European countries, however, long saw China as little more than as a valuable trade partner. Only in the past decade they came to regard Beijing also as a systemic rival, experiencing the effects of its state-steered capitalism and innovation policies and the undemocratic use of China's rapidly rising technological capabilities.

Over the years, the alignment on interests has forged closer alignment on Priorities too. For decades, the EU's was primarily engaged with crises at home, ranging from the Euro crisis to Brexit and its near neighborhood. China became more of a priority as the Covid-19 pandemic revealed the vulnerability of critical supply-chains and the war in Ukraine brought China and Russia closer. Like Japan and India before, the EU awakened to the reality that digital authoritarianism is a concern and that territorial sovereignty and strategic autonomy are at stake. Alignment of priorities between the three partners is also notable regarding the need to invest in greater technological capabilities at home. This is not just a response to China's rapidly growing capabilities but also to the deepening market dominance of American Big Tech companies, for example on computer and chips software (Intel, AMD) and cloud infrastructure (Microsoft, Google, Amazon). This comes with limited data sovereignty and vulnerabilities, as critical applications could be shut down by accident or at (political) will.[4] Hence, it is essential that Japan, India and the EU invest in developing their own alternatives to US-dominated Big Tech and growing Chinese capabilities.

Japan, India and the EU also increasingly align on military and defense technologies, which often involve digital components. Each wants to grow domestic capabilities: Japan—and more recently the EU—acting on the

push from Washington, and India on the wish to diversify away from Russia. All aim to become more independent and find new partners in securing themselves against their near neighbors: China (for India and Japan) and Russia (for the EU). Increased efforts in recent years to enhance bilateral cooperation, is now opening up opportunities for trilateral opportunities.

Growing uncertainty about the US as a reliable strategic and commercial partner is amplifying the need and benefits of increased collaboration between Japan, India and the EU. The US is the dominant provider of digital services and many technological products, such as semiconductor design, cloud services and AI. The return to office of President Donald Trump in January 2025 has been accompanied by strategic uncertainty about bilateral ties with Japan, India and the EU individually and is leaving a global leadership vacuum in technology governance, including on digital governance of safe, transparent and trustworthy AI. These developments require a careful but urgent recalibration of the security landscape of Japan and the EU in particular, which have traditionally heavily depended on the US. While recognizing the importance of continued collaboration with the US, Japan, India and the EU are at the same time seeking to diversify their dependency on the US in the software realm.

The new alignment on VIPs creates fertile ground for collaboration in technology fields, with both civil and military applications, that are high on the political agenda.

4.2 Acting on Shared VIPs: Focus Areas for Collaboration

To identify the critical technology fields in which trilateral collaboration is most opportune in the short term, this chapter takes as a starting point the focus areas of Japan, the EU and India in their quest for economic security and technological competitiveness.[5]

In 2022, Japan identified 20 critical technologies as part of its Economic Security Promotion Act.[6] A year later, the EU identified 10 critical technology areas—sets of several technologies—for its economic security.[7] These technologies are the focus of attention regarding legislation, research and funding. India does not have a similar list of critical technologies, but the country's set of priorities can be inferred through its tech policies and initiatives.

Taking the EU's critical technology areas as a starting point, Table 4.1 compares the priorities of the EU, Japan and India regarding critical and emerging technologies. Differences in terminology notwithstanding, a remarkable degree of overlap is evident in three partners' focus areas.

Table 4.1: Critical and Emerging Technologies: Priorities of the EU, India and Japan

	Technology Area (EU)[8]	*Technologies (Japan)*[9]	*Technologies (India)*[10]
	Advanced Semiconductors Technologies	Microprocessor and semiconductor technology	Semiconductors
	Artificial Intelligence Technologies	Artificial intelligence and machine learning, Data science, analysis, storage and management	Artificial Intelligence (AI)
	Quantum Technologies	Quantum information science	Quantum Technologies
	Biotechnologies	Biotechnology, Medical and public health technology	Biotechnologies, Bioeconomy
	Advanced Connectivity, Navigation and Digital Technologies	Advanced information, communication and networking technology, cybersecurity	Telecommunications, Digital Public Infrastructures
	Advanced Sensing Technologies	Advanced surveillance, positioning and sensing technology	Drones, Advanced Sensing Technologies (implied in defense and space technologies)
	Space & Propulsion Technologies	Space technology	Space Technologies
	Energy Technologies	Advanced energy and energy storage technology	Clean Energy, Green Hydrogen, Nuclear Technologies
	Robotics and Autonomous Systems	Robotics	Robotics and Autonomous Systems (implied in AI, drones, and defense technologies)
	Advanced Materials, Manufacturing and Recycling Technologies	Advanced materials science, Advanced engineering and manufacturing technology	Advanced Materials, Manufacturing and Recycling Technologies (implied in semiconductors and clean energy)

Source: Compiled by authors.

The five technology areas represented by icons are the focus of analysis below.

The analysis considers five out of the 10 technologies that offer short-term opportunities for trilateral collaboration given the overlap in Values, Interests and Priorities in the three partner countries. These technologies are grouped into two categories: those contributing to economic security of each and those that assist in promoting alignment with third partner countries.

The first category includes technologies that are currently at the heart of all three partners' quest for economic security, namely semiconductors, AI and quantum technologies. Alignment on VIPs between Japan, India and the EU on these technologies is evidenced by various recent joint statements of Japan and the EU (2024), India and the EU (2025) and documents such as the memorandum of cooperation on semiconductor supply chains between Japan and India (2023).[11]

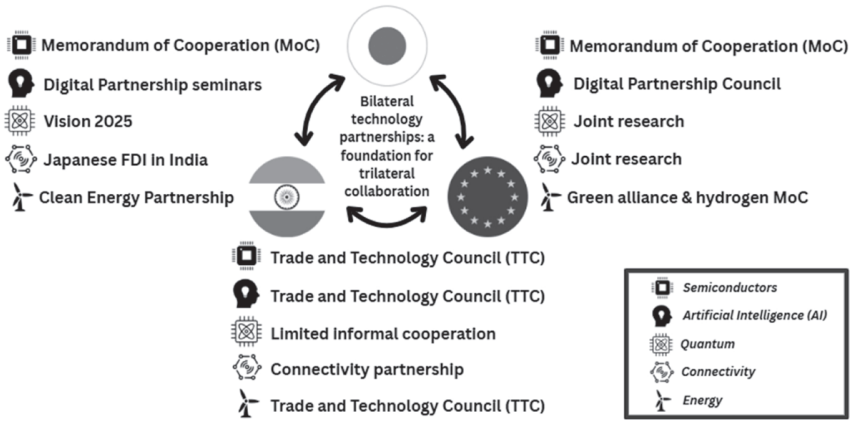
The second category covers technologies that offer the potential for export to third countries in the short term, namely connectivity, energy and manufacturing/recycling technologies.[12] There is an immediate development need for these technologies in third countries, which—if acted upon—also offers an opportunity for the three partners to promote the use of open, transparent and trustworthy technologies. Coordinated strategic investment may be fostered through linkages of existing initiatives of the EU, Japan and India, namely Global Gateway (EU), the Partnership for Quality Infrastructure (Japan), and the Act East policy (India). Doing so will assist Tokyo, New Delhi and Brussels in their ambitions to uphold multilateralism and shape the liberal, rules-based international order from which the US is retreating. As an extension, strategic investments in semiconductors and AI should also be considered at a later stage.

The remaining five technologies, i.e. those not indicated by an icon in Table 4.1, are beyond the scope of this chapter. These may offer opportunities for trilateral collaboration in the longer term, as the three partners become stronger in commercialization (e.g. of robotics and space technologies) and when closer ethical and political alignment on their potential dual-use is in place (for example, biotechnologies and autonomous systems).

4.3 Building on Existing Tech Cooperation

As stated earlier, existing bilateral frameworks create fruitful ground for a broadening of collaboration to the trilateral level. Bilateral cooperation exists in various fields and in varying formats: between Japan and India, Japan and the EU, and/or India and the EU. This section discusses existing collaboration in the two categories of technologies highlighted above: critical technologies that contribute to economic security and technologies that cater to the need of strategic third partners. Building on this, it reflects on potential collaboration in digital governance on several of these technology areas.

Figure 4.1: An Overview of Existing Bilateral Collaborations in Five Technology Domains



Source: Compiled by authors. Icons copyright (©) 2018 Diemen Design (MIT license).

(Advanced) Semiconductor technologies

On semiconductors, Japan has signed bilateral Memoranda of Cooperation with both the EU and India. The memoranda differ in scope and are complimentary. With the EU, Japan aims to work on semiconductor supply chain early warning mechanisms, research and development, advanced skills, application use cases, and subsidy transparency.[13] With India, Japan intends to strengthen their semiconductor supply chain partnership, enhancing cooperation in semiconductor manufacturing, research, and development, and creating employment opportunities in the IT sector.[14]

Similarly, India and the EU are set to increase cooperation on semiconductors under the EU-India Trade and Technology Council (TTC). This includes exploration of joint research and development in the field of chip design and the objective to 'further strengthen the resilience of semiconductor supply chains.'[15] The TTC has been off to a slow start, however, with the second meeting in February 2025 coming after a hiatus of almost two years. Bureaucratic alignment and political push are other challenges, with three different institutions engaged at both sides: the ministries / Directorates-General in charge of foreign affairs, trade/commerce and technology. This gives the TTC far less political momentum compared to the US-India Initiative on Critical and Emerging Technology (iCET), which is governed at the Indian side by the National Security Council.

The common denominator in the bilateral agreements between Japan and India, Japan and the EU, and India and the EU is the focus on strengthening the resilience of semiconductor supply chains through joint research and development efforts. Developing the sophisticated infrastructure and expertise required to produce semiconductors is costly and complicated, however. India wants to develop such an industry, and although it may have the human capital to do so, its lacks the infrastructure. In the EU, labor costs and environmental standards complicate any serious attempts at building out such an infrastructure. In Japan, consortiums such as Rapidus and Japan Advanced Semiconductor Manufacturing (JASM) aim to rebuild a larger semiconductor industry for the country. However, a lack of skilled labor and difficulties raising the necessary continuous capital investments complicate such projects.[16]

These challenges are opportunities for trilateral cooperation in the semiconductor supply chain. By pooling their efforts, the three could potentially develop the reliable and profitable semiconductor industry that they so desire. In the shorter term, trilateral semiconductor cooperation may also include lower-hanging fruit, for instance the inclusion of India in the supply chain early warning mechanisms envisioned by the EU and Japan.

AI technologies – including high-performance computing

AI-innovation and use has evolved exponentially in the past years, spurring a race for AI-domination. Key contenders that have put viable AI products on the market are various US-based companies and, more recently, Chinese DeepSeek. These companies do not practice the vision for human-centered technology that is important to Japan, India and the EU. DeepSeek, for example, is known to censor topics in compliance with content-moderation wishes of the Chinese government.

To defend their interests and values, Japan, India and the EU have made AI a priority in their technological endeavors. This is also evident from their bilateral efforts. Japan and India have organized joint seminars in the context of their India-Japan Digital Partnership,[17] seeking to foster closer alignment on the topic. The EU and India discussed AI as part of the EU-India TTC in February 2025, emphasizing enhanced innovation and information exchange on AI, for example by deepening the cooperation between the European AI Office and India AI Mission.[18] Separately, French President Emmanuel Macron and Indian Prime Minister Narendra Modi co-chaired the AI Action Summit in Paris in February 2025. For their part, Japan and the EU agreed in the Digital Partnership Council of April 2024 to closely collaborate between the EU's AI Office and the Japanese AI Safety Institute, to shape a trustworthy AI governance.

The existing bilateral relationships provide fertile ground for establishing a trilateral forum. While the EU is currently the only one with a serious market contender in AI, all three share a strong interest in embedding their values into international AI standards and governance frameworks. They could cooperate in such standard-setting efforts and promote the use of value-based AI, such as that developed by MistralAI in France.

High-performance computing (HPC) is an essential prerequisite for fostering AI development. The EU and India collaborate on HPC through the GANANA project, which 'fosters collaboration between top European and Indian institutions to advance HPC applications.'[19] The focus is on shared R&D, combing the two partners' computing power to increase innovation. The EU has a nearly identical project with Japan called HANAMI.[20]

Japan and India have a relatively limited collaboration on HPC. India has engaged with a private-sector party from Japan to collaborate on the production of an HPC-specialised chip, but it has done so unilaterally to improve its self-reliance in the field.[21]

Given the EU's deeper collaboration with the two partners, the EU could take the lead in bringing the three together, for example through cooperation between its GANANA and HANAMI consortiums. That would set the stage for trilateral insights and collaboration, preventing each consortium from doing the same as the other.

Quantum Technologies

Although the EU and India signed an 'Intent of Cooperation on High Performance Computing and Quantum Technologies' in November 2022,[22] collaboration started only in 2024, and only on HPC.[23] Quantum was not included in the final statement of the February 2025 EU-India TTC meeting[24] and collaboration is for now only informal. Regarding cooperation with Japan, the EU issued a joint call for a new Horizon Europe research project early in 2025 at the interface between HPC and quantum, aiming to solve common societal problems using quantum technologies. [25] This aligns with the outcomes of the 7th EU-Japan Joint Scientific and Technological Cooperation Committee (JSTCC) meeting, where the parties decided to continue collaborating in various research fields including quantum.[26] For their part, India and Japan also maintain quantum research ties, e.g. through the India Young Researcher Fellowships Program.[27] However, collaboration on quantum-related technologies remains limited. The technology remains cutting edge, mostly research-oriented with few possibilities for applications ready.

Considering quantum computing's far-reaching implications including for (breaking) current cryptography standards, updating these standards is an important point of attention. The US traditionally leads cryptography standards-setting, through its National Institute of Standards and Technology (NIST). That is also true for post-quantum cryptography, the standards needed for when quantum computing may break traditional cryptography.[28] Given the cuts on federal agencies, including NIST, it is uncertain that the US will continue to fulfill its leading role.[29] Japan, India and the EU would

do well to fill the void that would be left and directing more of their combined research resources towards standardization.

Advanced Connectivity, Navigation and Digital Technologies

Connectivity is a promising realm for trilateral cooperation between Japan, India and the EU. Each has a flagship initiative of its own in place to build upon and connectivity projects that offer development opportunities in third countries are at the same time an opportunity to increase soft power and advance the agenda on areas such as CRM diversification.

Japan and the EU collaborate extensively on wireless connectivity. They do so through joint research to advance communication technologies beyond 5G.[30] Already in 2015, the partners cooperated on standardization and harmonization, focusing on upcoming existing 5G technologies.[31]

Bilateral connectivity ties between Japan and India are centered around Japanese investments in digital infrastructure in India. A significant share of this foreign direct investment stems from private-sector parties.[32] These investments have been encouraged under the Japan and India Vision 2025 Special Strategic and Global Partnership.[33] India and the EU have a connectivity partnership in place. The focus is on submarine cables, satellite networks and 5G. Their efforts in these fields are underpinned by a commitment to sustainability and cyber security.[34]

These bilateral collaborative efforts of Japan, India, and the EU form a valuable stepping stone to trilateral collaboration. The combined expertise own digital connectivity can be employed under programs such as the EU's Global Gateway.[35] As such, digital connectivity is a potential lever to advance other agendas such as diversifying CRM supply chains and shaping trustworthy digital societies in third countries. Combining Japan's Quality Infrastructure Partnerships, the EU's Global Gateway project and India's Act East Policy offer an excellent starting point for such cooperation.[36]

Energy Technologies

At their 2025 TTC meeting, India and the EU emphasized that joint progress had been made on green and clean energy technologies. They aim to continue their existing collaboration focused on electric vehicle (EV) battery recycling through Horizon Europe research projects. Additionally, they will invest in

harmonizing standards for EV charging infrastructure. Japan-EU bilateral relations on energy are strong, as is reflected in the 2021 signing of their Green Alliance. The alliance outlines an ambitious bilateral agreement focusing on energy technologies. Key areas include cooperation on renewable energy, smart grids, hydrogen, and carbon capture to achieve climate neutrality by 2050. The partnership aims to enhance energy efficiency, promote innovation, and ensure a sustainable energy transition.[37] In 2022, the parties deepened their cooperation through the signing of a memorandum of cooperation on hydrogen. Collaboration on hydrogen is a sensible field, given the large car making industries in Japan and the EU. India and Japan have established an ambitious bilateral partnership focusing on clean energy technologies to achieve sustainable economic growth and address climate change. The partnership covers a wide range of areas including electric vehicles, renewable energy, hydrogen, and carbon capture, among others. It aims to enhance cooperation through innovation, resilient supply chains, and collaboration between public and private sectors.[38]

Existing bilateral collaborations would benefit from a trilateral meeting to better coordinate these initiatives. More efficiency could be attained by working together on those areas where the interests of all three parties align. For instance, the EU and Japan could engage with India's Make in India ambitions to diversify supply chains of various green technologies.

4.4 Digital Governance

Building on the sectoral collaboration on the various technologies discussed above, Japan, India and the EU can deepen their coordinated efforts to set global standards in digital governance. At the same time, the coordination about underlying technologies that is required for multilateral governance will reinforce collaboration in the five fields discussed above. In the face of a retreating US, now is the time to act on their alignment on VIPs—specifically, their vision for human-centered digital societies.

Japan, India, and the EU prioritize digital governance through various initiatives. Japan focuses on creating a trusted web and enhancing digital transparency through its Data Free Flow with Trust (DFFT) initiative, launched in 2019. India emphasizes building robust digital public infrastructure (DPI) and improving e-governance through the Digital India

initiative. It leads by example in its diplomacy, showcasing tools including Aadhaar, UPI, and DigiLocker. The EU exports regulatory standards with its General Data Protection Regulation (GDPR), Digital Services Act (DSA), and AI Act to ensure data privacy, user protection, and ethical AI use.

It is no surprise that bilateral agreements have followed, connecting these initiatives. Japan and the EU have signed a Memorandum of Cooperation with a view to enable DFFT. To that end, they will mutually recognize each other's eID systems and promote their shared best practices internationally. Similarly, India and the EU intend to mutually recognize e-signatures and work towards the interoperability of their DPIs under their TTC framework.

Considering the similarities in digital visions and goals, Japan, India and the EU stand to benefit from enhanced cooperation in promoting their standards and values internationally. Such joint governance and standardization efforts can build on earlier efforts, including the recent co-hosting by France and India of the 2025 Paris AI summit[39] and Japan-EU cooperation on 5G technologies standardization already in 2015. A crucial task is to invest in sustained, strategic conversations that help determine the set of shared values, aligning on their exact meaning, and using the same terminology.

To summarize, Table 4.2 plots the alignment on VIPs for the technologies and areas that offer particular promise for enhanced trilateral collaboration in the short to medium term.

Table 4.2: Plotting Alignment on VIPs for Key Technologies

	Values	*Interests*	*Priorities*
Critical technology areas for economic security			
(Advanced) semiconductor technologies	Free trade	Competitiveness; economic security	On-/friendshoring supply chains; R&D
AI technologies	Human-centered AI; scientific progress; safety	Economic security; competitiveness; safe and ethical AI standards	Standard setting; regulation; High-performance computing; Research
Quantum computing	Security; prosperity	Innovation; secure cryptography	Research; Standardization

	Values	*Interests*	*Priorities*
Technology areas for digital public infrastructure in third countries			
Energy technologies	Sustainability;	Sustainable growth; competitiveness	Research; Green transition
Connectivity technologies	Security; privacy; human-centered technologies	Secure networks; Fast connectivity	Standardization; R&D; Infrastructure Investments
Tech collaboration for safe, secure and trustworthy global governance			
Digital governance	Privacy; transparency; openness; right to information	Secure standards; effective legislation	Mutually compatible e-signatures and e-identities

Source: Compiled by author.

4.5 The Path Ahead: Policy Suggestions

The EU, India and Japan can benefit from enhanced trilateral action to succeed in their quest for economic security. The time to do so is ripe: set against an increasingly competitive and fractious geopolitical context, alignment on values, interests and priorities is closer than at any earlier point in history. The three partners are united in their ambition to de-risk from China and Russia, address dependencies for the import of critical raw materials, natural resources and military technologies, and to reduce their digital deficit in the relationship with the United States.

Building on shared priorities at home and existing bilateral collaboration between them, new forms of trilateral collaboration can serve three categories of objectives: assisting each other to strengthen domestic economic security; promoting open and ethical technology adoption in third countries through coordination of partnerships and projects; and shaping digital governance and standards that uphold open, secure and ethical technological innovation and application.

Japan, India and the EU each invest substantial political and financial capital to semiconductors, AI and quantum technologies. Next, collaboration in R&D and supply chain (re)structuring can further the economic security ambitions of each. In semiconductors, the three would do well to leverage each partner's strengths while addressing infrastructure and regulatory challenges. In AI and the associated HPC, the three can collaborate by

integrating the EU's GANANA and HANAMI projects for shared innovation and insights. Also, they can shape international AI standards and promote the use of trustworthy AI, such as that developed by MistralAI in France, to ensure ethical and trustworthy AI governance. To address the emerging need for quantum technology standardization, Japan, India, and the EU can bind forces to fill the vacuum left by reduced US involvement, leveraging their combined research resources to establish robust standards.

Trilateral coordination on Europe's Global Gateway, India's Act East Policy and Japan's Partnerships for Quality Infrastructure is needed to ensure that scarce investments complement rather than compete with each other. Digital connectivity projects of Japan, India, and the EU must be tailored to the development needs and risk perceptions of each partner country—whether that is for alternatives to cost-beneficial Chinese propositions or to develop local alternatives to US-dominated technology industries. Doing so, will enhance their soft power and advance critical agendas like CRM diversification. Similarly, trilateral coordination on existing green and clean energy technology cooperation with third countries can enhance efficiency, align interests to diversify supply chains as new exporters develop, and support India's Make in India ambitions.

Next to collaboration in these technology areas, the EU, India and Japan are well-positioned to jointly foster digital governance. That is, promoting their shared standards and values internationally: leveraging Japan's DFFT scheme, India's DPI leadership, and the EU's human-centered legislation.

For Japan to uphold its position as a leading Asian power, for India to live up to its promise as an aspiring global power, and for the EU to become a geopolitical power, the three partners need to elevate their trilateral ties to a higher, more strategic level through sectoral and minilateral collaboration in various tech fields. This collaboration can start from concrete, targeted areas to build trust, and be expanded gradually, focusing on areas where, Japan, India, and the EU align on values, interests and priorities. Doing so, the three can create a solid framework for cooperation that addresses their shared challenges, leverages their collective strengths and fills a global leadership vacuum.

ENDNOTES

1 Alignment on priorities was not yet evident in 2018. See Maaike Okano-Heijmans, "Reimagining Europe's partnerships with India and Japan," Clingendael Policy Brief, February 2018, https://www.clingendael.org/publication/reimagining-europes-partnerships-india-and-japan.

2 "Joint Declaration on Relations between The European Community and its Member States and Japan," Ministry of Foreign Affairs of Japan, July 18, 1991, https://www.mofa.go.jp/region/europe/eu/overview/declar.html#:~:text=,prosperous%20and%20sound%20world%20economy.

3 "Joint Statement - 15th EU-India Summit," European Council, July 15, 2020, https://www.consilium.europa.eu/en/press/press-releases/2020/07/15/joint-statement-15th-eu-india-summit-15-july-2020/#:~:text=2,emergencies%2C%20enhance%20 global%20economic%20stability.

4 Alexandre Gomes and Maaike Okano-Heijmans, "Too late to act? Europe's quest for cloud sovereignty," Clingendael Policy Brief, March 2024, https://www.clingendael.org/publication/too-late-act-europes-quest-cloud-sovereignty.

5 Critical Raw Materials (CRMs), which power most technologies, are another promising area of collaboration that is beyond the scope of this chapter. The chapter on supply chain coordination by Niklas Swanström discusses the need and the potential for trilateral collaboration on CRMs.

6 "Outline of the Economic Security Promotion Act," https://www.japaneselawtranslation.go.jp/outline/75/905R403.pdf.

7 "Commission Recommendation (EU) 2023/2113 on critical technology areas for the EU's economic security for further risk assessment with Member States," October 2023, https://www.europeansources.info/record/commission-recommendation-eu-2023-2113-on-critical-technology-areas-for-the-eus-economic-security-for-further-risk-assessment-with-member-states/#:~:text=Recommendation%20%28EU%29%202023%2F2113%20-%20adopted%20by%20the%20European,view%20of%20further%20risk%20assessment%20with%20Member%20States.

8 "Commission Recommendation (EU) 2023/2113 of 3 October 2023 on critical technology areas for the EU's economic security for further risk assessment with Member States," From the Annex of EUR-Lex - 32023H2113 - EN - EUR-Lex, October 2023, https://eur-lex.europa.eu/eli/reco/2023/2113/oj/eng#:~:text=Following%20a%20first%20internal%20analysis%2C%20the%20Commission%20has,synergies%20between%20civil%2C%20defence%20and %20space%20industries%20%282%29.

9 The 20 technology fields are as follows: biotechnology, medical care/public health technology (including genom science), artificial intelligence/machine learning, advanced computing, microprocessor/semiconductor technology, data science/analysis/accumulation/operation, advanced engineering/manufacturing technology, robotics, quantum informtion science, advanced surveilance/positioning/sensor technology, neural computing/interface technology, advanced energy/energy storage technology, advanced information and communication/networking technology, cybersecurity technology, space-related technology, ocean-related technology, transportation technology, hypersonic technology, chemical/bio/radioactive substances/nuclear technology, and advanced material science. Listed in Footnote 219 of "Section 2 Japan's economic security strategies and challenges for businesses," https://www.meti.go.jp/english/report/data/wp2023/pdf/2-1-2.pdf; and cited in Kazuto Suzuki,

"How Will the Economic Security Law Change Japan's Sci-Tech Policy?" The Tokyo Foundation for Policy Research, May 9, 2023, https://www.tokyofoundation.org/research/detail.php?id=943.

10 The overview of Indian priorities was generated by MS365 Copilot based on information from the "U.S.–India Initiative on Critical and Emerging Technology (iCET)," Wikipedia, https://en.wikipedia.org/wiki/United_States%E2%80%93India_Initiative_on_Critical_and_Emerging_Technology; "Sansad TV discussions," Drishti IAS, https://www.drishtiias.com/loksabha-rajyasabha-discussions; and Ministry of External Affairs, "Joint Fact Sheet: The United States and India Continue to Expand Comprehensive and Global Strategic Partnership," September 2024, https://www.mea.gov.in/bilateral-documents.htm?dtl/38323/Joint_Fact_Sheet_The_United_States_and_India_Continue_to_Expand_Comprehensive_and_Global_Strategic_Partnership.

11 See, for example, European Commission, "Joint Statement of the second meeting of the European Union - Japan Digital Partnership Council," April 2024, https://digital-strategy.ec.europa.eu/en/library/joint-statement-second-meeting-european-union-japan-digital-partnership-council; European Commission, "Joint statement on the second meeting of the EU-India Trade and Technology Council," February 2025, https://ec.europa.eu/commission/presscorner/detail/en/statement_25_643; and IndBiz, "Govt approves supply chain MoC between India and Japan," October 2023, https://indbiz.gov.in/govt-approves-supply-chain-moc-between-india-and-japan/.

12 The analysis does not consider manufacturing and recycling technologies in detail as these are either covered under other categories (such as semiconductors and energy) or unrelated to digital technologies, the focus of this article.

13 "Memorandum of Cooperation on Semiconductors, METI, July 2023, https://www.meti.go.jp/press/2023/07/20230704002/20230704002-1.pdf.

14 Ministry of Electronics & IT, "Cabinet approves Memorandum of Cooperation between India and Japan on Japan-India Semiconductor Supply Chain Partnership," October 25, 2023, Press Information Bureau, https://www.pib.gov.in/PressReleasePage.aspx?PRID=1970784.

15 European Commission, "Key outcomes of the second EU-India Trade and Technology Council | Shaping Europe's digital future," February 28, 2025, https://digital-strategy.ec.europa.eu/en/news/key-outcomes-second-eu-india-trade-and-technology-council.

16 Kazuto Suzuki, "The Japanese Semiconductor Renaissance: Will It Be Successful?" The National Bureau of Asian Research (NBR), March 19, 2025, https://www.nbr.org/publication/the-japanese-semiconductor-renaissance-will-it-be-successful/.

17 Embassy of India Tokyo, Japan, "India-Japan Digital Partnership: Focusing on Artificial Intelligence: Focusing on Artificial Intelligence," Seminar, October 23, 2024, https://www.indembassy-tokyo.gov.in/eoityo_listview/MjIzMQ.

18 European Commission, "Key outcomes of the second EU-India Trade and Technology Council | Shaping Europe's digital future," February 28, 2025, https://digital-strategy.ec.europa.eu/en/news/key-outcomes-second-eu-india-trade-and-technology-council.

19 EuroHPC, "New EuroHPC Project Strengthening EU-India Ties: the GANANA Project," February 14, 2025, https://eurohpc-ju.europa.eu/new-eurohpc-project-strengthening-eu-india-ties-ganana-project-2025-02-14_en.

20 HANAMI, "About Us," n.d., https://hanami-project.com/about-us/.

21 "C-DAC partners with MosChip and Socionext for AUM HPC 5nm SoC development in India," Fone Arena, July 2, 2024, https://www.fonearena.com/blog/427699/c-dac-moschip-hpc-soc-india.html.

22 EEAS, "EU-India signed an 'Intent of Cooperation on High Performance Computing and Quantum Technologies'," November 11, 2022, https://www.eeas.europa.eu/delegations/india/eu-india-signed-%E2%80%98intent-cooperation-high-performance-computing-and-quantum-technologies%E2%80%99_en?s=167.

23 Simon Sharwood, "India and EU finally advance HPC collaboration project," The Register, April 9, 2024, https://www.theregister.com/2024/04/09/india_eu_hpc_collaboration/.

24 European Commission, "Key outcomes of the second EU-India Trade and Technology Council | Shaping Europe's digital future," February 28, 2025, https://digital-strategy.ec.europa.eu/en/news/key-outcomes-second-eu-india-trade-and-technology-council.

25 EuroHPC, "New Call to Strengthen EU-Japan Partnership in Quantum Computing," November 19, 2024, https://eurohpc-ju.europa.eu/new-call-strengthen-eu-japan-partnership-quantum-computing-2024-11-19_en.

26 European Commission, "The 7th EU-Japan Joint Scientific and Technological Cooperation Committee (JSTCC) meeting," December 18, 2023, https://research-and-innovation.ec.europa.eu/news/all-research-and-innovation-news/7th-eu-japan-joint-scientific-and-technological-cooperation-committee-jstcc-meeting-2023-12-18_en.

27 Ministry of Science & Technology, "Parliament Question: Collaboration for research cooperation," December 19, 2024, Press Information Bureau, `Japan Science and Technology Agency, March 7, 2025.

28 CSRC, "Post-Quantum Cryptography," n.d, https://csrc.nist.gov/projects/post-quantum-cryptography.

29 Wired, "The National Institute of Standards and Technology Braces for Mass Firings," February 28, 2025, https://www.wired.com/story/the-national-institute-of-standards-and-technology-braces-for-mass-firings/.

30 "Call for Innovative Information and Communication Technology (Beyond 5G (6G)) Japan-EU Joint Research Project," EU-Japan Centre for Industrial Cooperation, 2024, https://www.eu-japan.eu/news/call-innovative-information-and-communication-technology-beyond-5g-6g-japan-eu-joint-research-project.

31 European Commission, "EU and Japan announce cooperation on 5G mobile technology," May 29, 2015, https://digital-strategy.ec.europa.eu/en/news/eu-and-japan-announce-cooperation-5g-mobile-technology.

32 "Iconic Japanese Investments Fuel India's Growth in Infrastructure and Technology," Nippon Business, n.d., https://nipponbusiness.com/japan-investments-in-india-trends-sectors-2023-2025/.

33 Ministry of Foreign Affairs of Japan, "Japan and India Vision 2025 Special Strategic and Global Partnership," December 12, 2015, https://www.mofa.go.jp/s_sa/sw/in/page3e_000432.html.

34 Ministry of External Affairs, "India-EU Connectivity Partnership," May 8, 2021, https://www.mea.gov.in/bilateral-documents.htm?dtl/33854/IndiaEU_Connectivity_Partnership.

35 Alexandre Gomes and Maaike Okano-Heijmans, "Harnessing the potential of Digital Global Gateway," Clingendael Policy Brief, February 2025, https://www.clingendael.org/

publication/harnessing-potential-digital-global-gateway.

36 Kohtaro Ito and Mahima Duggal, "Japan-India-EU: A Digital Partnership for the Digital Decade," The Canon Institute for Global Studies, December 21, 2021, https://cigs.canon/en/article/20211221_6444.html.

37 European Council, "EU-Japan Summit - 27 May 2021," https://www.consilium.europa.eu/media/49932/eu-japan-green-alliance-may-2021.pdf?utm_source=dsms-auto&utm_medium=email&utm_campaign=EU-Japan+Green+Alliance.

38 "India-Japan Clean Energy Partnership," METI, https://www.enecho.meti.go.jp/en/category/others/cep/20220319_e.pdf.

39 European Commission, "President von der Leyen and Executive Vice-Presidents Virkkunen and Séjourné attend Artificial Intelligence Action Summit in Paris to support sustainable innovation," February 7, 2025, https://digital-strategy.ec.europa.eu/en/news/president-von-der-leyen-and-executive-vice-presidents-virkkunen-and-sejourne-attend-artificial.

5

Economic Security to Counter China's Digital Hegemony

Jun Osawa

5.1 INTRODUCTION

China is well aware of the history of hegemonic powers such as Britain and the United States maintaining their positions through their overwhelming national power and their ability to control information. Therefore, in order to realize the Chinese Dream, China is probably trying to gain the ability to control information by building the Digital Silk Road and establishing digital hegemony. The current strategic goal of the Xi Jinping administration is to achieve the great rejuvenation of the Chinese nation, by 2049, the 100th anniversary of the establishment of the People's Republic of China. Semiconductors, 5th Generation Mobile Communication Standard (5G), and submarine cable networks, are currently the focus of attention in the strategic competition between the US and China.

In the field of technology, which is the source of national power, China has also announced a long-term strategy for technological hegemony in the form of "Made in China 2025", and in line with this strategy, it is forcing advanced countries to transfer technology silently through cyber theft. The results of the Chinese state-sponsored cyber theft are evident in the fact that China is now able to develop technology at a speed that would be impossible for it to achieve alone, in areas such as next-generation information and communications technology and space development. The day when China's

dream of achieving hegemony in digital technology is realized is close at hand.

5.2 Opportunities and Challenges

The rise of China is shaping the narrative that international politics is once again heading towards "strategic competition". The debate over so-called "economic security", such as economic statecraft and stricter trade controls, has also been influenced by this narrative that international politics is once again heading towards "systemic competition".

The turning point in the change of perception that China is a competitor and that "systemic competition" like that seen during the Cold War will occur again was the subject of the speech given by then US Vice President Mike Pence at the Hudson Institute in October 2018. In this speech, Vice President Pence suggested that the United States had to prepare for a long-term struggle with China and would reset its economic and strategic relations with China, as China was using political, economic, military means and propaganda to increase its influence and interference with the United States, and was suppressing freedom in the areas of human rights and religion. After the speech, the US media assessed that Pence's speech implied the start of a new Cold War between the United States and China.

In 2021, an analysis equivalent to Kennan's "X-Paper" from the Cold War era was published on the website of the Atlantic Council, a US think tank. The paper was titled "Longer Telegram: Towards a New US Strategy on China", in reference to Kennan's "Long Telegram". This paper, written anonymously by a former senior US government official with reference to Kennan's "Long Telegram", proposes that the US should implement a new strategy towards China in conjunction with its allies to counter China's long-term strategy of trying to surpass the US.

For at least the next 30 years, the "strategic competition" between the authoritarian regime that combines Chinese-style socialism and a digital authoritarian society, and the free democracy camp led by the United States will continue. Considering that the Cold War lasted for 40 years, it would not be surprising if this competition continued until around 2060. For the next 30 years, we will probably see a "new Cold War" in which the logic of

security takes precedence over the logic of the economy, just as it did during the Cold War.

In the 2018 Pence speech, the warning was expressed more specifically, saying that "Now, through the "Made in China 2025" plan, the Communist Party has set its sights on controlling 90% of the world's most advanced industries, including robotics, biotechnology, and artificial intelligence. To win the commanding heights of the 21st Century economy, Beijing has directed its bureaucrats and businesses to obtain American intellectual property—the foundation of our economic leadership—by any means necessary."

The focus of the US-China conflict that is becoming prominent in cyberspace is that China is stealing intellectual property, which is the foundation of the US' technological and economic strength, through cyber theft. Chinese attack groups are carrying out a large number of information theft-type cyberattacks on private companies, research institutes, universities, etc., in developed countries with the aim of stealing intellectual property and business secrets. Such cyberattacks are resulting in the unfair forced transfer of advanced technology held by developed countries, and are threatening the technological superiority of developed countries. There are also cases where Chinese companies are manufacturing and exporting products for developing countries using technology obtained through such unfair means, and the trust in the free trade system based on free and fair rules is also beginning to waver.

When we analyze the industries and companies that Chinese cyberattackers are targeting, we find that they are concentrating their efforts on the following fields: (1) next-generation information technology, (2) new-energy vehicles, (3) aerospace, (4) marine engineering, (5) new materials, and (6) power equipment. All of these industries are included in the "Made in China 2025", a 10-year industrial development strategy announced by the Chinese State Council in May 2015. The preface to "Made in China 2025" states that internationally competitive manufacturing is essential for increasing China's national strength, ensuring national security, and for the revival of the Chinese nation as a world power, and it sets out 10 specific priority areas for fostering industry in order to achieve manufacturing power. These are: (1) next-generation information technology, (2) new energy

vehicles, (3) aerospace, (4) marine engineering (high-tech ships), (5) advanced railways, (6) robots and machine tools, (7) electrical equipment, (8) new materials, (9) biopharmaceuticals and medical equipment, and (10) agricultural machinery.

One example of technology theft through cyberattacks is the widespread information theft cyberattack campaign against the United States by a group known as "APT1". APT1 was the 61398 Unit under the Second Bureau of the Third Department of the General Staff of the People's Liberation Army (at the time), and this attack group had been carrying out cyberattacks targeting not only the US media but also a wide range of industries for over seven years since 2006. The industries targeted were wide-ranging, including information, transportation, high-tech, finance, law firms, engineering, media, food and agriculture, space, satellite communications, chemicals, energy, and medical.

There is also a group called "APT10" that is closely connected to China's Ministry of State Security and targets companies that provide cloud services and other services, stealing sensitive information and intellectual property from the government agencies and companies that are their customers. In April 2017, the UK's major defense contractor BAE and PWC published a report on the "information theft-type" cyberattacks being carried out by APT10, and it was found that APT10's targets included a wide range of sectors, including public institutions, pharmaceuticals and healthcare, mining, energy, metals, engineering, industrial production, technology industries, and retail.

As we have seen, China's information theft-type cyberattacks targeting intellectual property are carried out with state involvement, and are closely related to the "Made in China 2025" initiative mentioned earlier. It is said that information gathering activities using cyber means are at the core of China's technology acquisition efforts. For this reason, the US government suspects that China is carrying out cyber theft in line with the key areas of its own five-year plan. This information theft using cyber means strengthens China's technological capabilities and increases China's national power. In the medium to long term, there is a growing sense of crisis in the United States that this will have a significant impact on the balance of power between nations and push China to the position of hegemony.

In cyberspace, it has become essential to prevent cyberattacks like this, which involve Chinese state institutions, in order to protect the technological and economic power of developed countries. In the United States, active cyber defense (ACD) is being implemented as part of a flexible deterrence strategy (FDO) to deter the actions of attackers. ACD is a policy of taking countermeasures against attacks by identifying who is carrying out the attacks based on attribution (resolution of attribution), and then increasing the burden on the attackers by mobilizing all means, including diplomatic pressure, judicial prosecution, economic sanctions, and cyber counterattacks.

In May 2014, the US justice authorities accused five officers belonging to the People's Liberation Army's 61398 Unit of being the perpetrators of the APT1 attack group, which they suspected of having broken into the networks of US companies such as Westinghouse (nuclear reactors), SolarWorld (solar power generation), and US Steel (steel) with the aim of stealing information.

In addition, the US, together with its allies such as the UK, has identified the attackers of "APT10", and has revealed that two of the attackers are connected to China's Ministry of State Security. In December 2018, the US Department of Justice announced that it had charged two Chinese hackers, Zhu Hua and Zhang Shilong, with stealing the technical information of more than 45 companies through unauthorized access to companies that provide cloud services and other services. According to the indictment, the two men were employees of a technology company in Tianjin, China, and, in cooperation with the Tianjin branch of the Ministry of State Security, stole information from a wide range of companies in at least 12 countries between 2006 and 2018.

The US Department of Justice and the FBI have also pursued judicial prosecution and issued wanted notices for cyberattack perpetrators as part of this FDO policy, and in the US, including the two cases mentioned above, over the six-year period from 2014 to 2020, more than 20 collaborators in China's military and intelligence agencies, including five generals and two high-ranking officials of the Ministry of State Security, have been identified and pursued through judicial prosecution. The aggressive cyber defense measures taken by the United States over the past five years, including judicial prosecutions and wanted notices, have succeeded in

deterring the activities of cyberattack groups for one to two years, and have had a certain effect on cyberattacks involving the state.

5.3 Possible Japan-India-EU Cooperation

The "Digital Silk Road (数字丝绸之路)" initiative is an attempt by China to realize this BRI in the world of information and communication. The hardware-oriented "Telecommunication Silk Road (信息丝绸之路)" would span the BRI by (1) building a cross-border optical fiber network on land, (2) developing optical submarine cables, and (3) providing satellite communication services.

In the area of hardware development of a communication network, China Telecom launched the ultra-low latency "Transit Silk Road" cable with 100G capacity connecting China and Europe in 2016 and this cable connected to Pakistan and Myanmar along the BRI.

In addition, in 5G, which will be the information and communication infrastructure in the Internet of Things (IoT) era, Chinese companies hold 30 percent of the 5G-related patent applications: Huawei holds 16 percent of the core patents, and ZTE holds 11 percent. Based on the technological foundations of these Chinese telecommunications equipment companies, the Chinese government is actively providing strategic assistance for telecommunications infrastructure to countries participating in the BRI. Chinese companies such as Huawei, ZTE, and China Mobile have been entrusted with the low-cost development of mobile telecom infrastructure in Asian and African countries, with support from Chinese government Official Development Assistance (ODA) and governmental financial institutions.

In the field of optical submarine cables, China Unicom laid the "AAE-1" submarine cable connecting China and Europe, and started its operation in June 2017. In addition, Huawei Marine Networks Co., Ltd., a subsidiary of Huawei, laid the first intercontinental "SAIL" submarine cable across the South Atlantic Ocean, which went into operation in August 2018. Huawei first entered the submarine cable laying business in 2008 by establishing a joint venture with Global Marine Systems, a British company with a history of 150 years. Within 10 years of the joint venture, Huawei mastered the

technology and was able to lay submarine cables circling the African continent on its own. Traditionally, the laying of long-distance submarine cables has required technical expertise, which has been monopolized by Western companies in the US, UK, France, etc., as well as Japanese companies. In laying this cable, it has become clear that Chinese digital techno companies are rapidly gaining technological power and are pressing Western companies.

Japan, India and Europe must absolutely avoid becoming dependent on China's dominance in digital technology. It is vitally important for economic security that Japan, Europe and India cooperate to develop cutting-edge technology and produce it in India to supply it to the world at low cost, as in the case of the fifth-generation mobile communication base station products that Japan and Europe supplied without China.

6

Foreign Direct Investments with Blue Dot Network

Tatsuo Shikata

6.1 INTRODUCTION

Donald J. Trump was inaugurated as US President on January 20, 2025 and declared that he would impose 25 percent tariffs on all products from Canada and Mexico, and that he would also impose 10 percent additional tariffs on all products from China. He will most probably withdraw from the Indo-Pacific Economic Framework (IPEF), and without being a member of the Trans-Pacific Partnership (TPP) and Regional Comprehensive Economic Partnership (RCEP), the US will be isolated in the Indo-Pacific, although it used to be an advocate of free trade in the world.

China had been rapidly growing since she joined WTO in 2001, and now she ranks 2nd in terms of GDP. However, since Xi Jinping took power in 2012, China has been prioritizing Chinese Communist Party's (CCP's) control even by sacrificing the growth of "golden geese" such as Alibaba, Tencent, etc., while Beijing is getting more and more coercive through the Belt & Road Initiative (BRI).

Meanwhile, Japan and EU concluded the Economic Partnership Agreement (EPA) in 2018, and they will continue to bolster free trade all over the world in spite of the growing movements of protectionism. It is inevitable that both Japan and the EU will enhance a strategic partnership to stand up to the US as well as China, while they also have to get along

with them at the same time as long as USA is the biggest economy and China is the biggest market in the world.

India may surpass Japan in terms of GDP in 2025 and may rank 3rd in the world, and India will be the 2nd largest market next to China. Japan and EU are going to de-risk with China and to shift their production facilities from China to other Asian countries, particularly India. However, due to indigenous problems such as a caste system, red-tapeism, rigid domestic laws, etc., Japan and the EU are faced with difficulties in augmenting their direct investments in India, and they need to collaborate with each other in order to negotiate with the central and local governments with India to facilitate investment procedures.

In 2019, Japan, the US and Australia initiated the Blue Dot Network (BDN) to certify quality infrastructure investments, and they have entrusted the OECD to fix details of BDN implementation. The BDN has just started to prevail in the world, and Japan, EU and other like-minded countries can make the most of the BDN to compete with China's BRI in order to develop quality infrastructure investments based on the 2019 G20 standard.

This chapter studies the challenges facing Japan, the EU and India, and how we can turn such challenges to opportunities through the cooperation of the three parties.

6.2 CHALLENGES

China

Since Xi Jinping took power in 2012, China has got rid of her long-cherished Deng Xio Ping's mantra: "Hide Power, Bide Time" and has started to show her ambition to establish hegemony in the Indo-Pacific by declaring her governance in the "nine-dash-line" (which is now called "10-dash-line") in the South China Sea and East China Sea, seeking unification of Taiwan without denying the use of military force, and exerting economic coercion on trade partners.

For example, in 2010 in response to a Chinese fishing boat's collision with a Japan Coast Guard vessel around the Senkaku Islands, China imposed export restrictions on rare earths. In 2012, China imposed import restrictions

on bananas as well as travel restrictions on the Philippines over territorial disputes. In 2020, in retaliation against Australia's demand for an independent investigation on the origin of COVID-19, China imposed import restrictions on Australian products.

China started the BRI in 2013 to substantially expand her infrastructure investments in Asia, Africa, South America, etc., which has caused huge debts in developing countries, namely the so-called "debt traps". For instance, China has obtained a 99-year lease of the Hambantota Port in Sri Lanka, who failed to reimburse a large amount of loan.

China initiated the "Digital Silk Road" in 2017 to expand her influence in developing countries on AI, quantum computing, smart cities, etc., through the above mentioned BRI, which invites China's global surveillance and digital authoritarianism.

COVID-19 revealed that the world economy heavily depends on China and supply chain networks based on China and how these can be easily disturbed. For example, export from China of pharmaceutical products, automobile parts, electronic devices, etc. was significantly affected during the pandemic, and almost all of China's trade partners were seriously damaged.

Japan, EU, the US and other like-minded countries have since started to shift their production facilities from China to other Asian countries offering government subsidies. India seems to be the biggest candidate to receive such production sites although she is a difficult country for foreign direct investments due to her caste system, rigid domestic laws, red-tapeism of the central/local governments, etc.

Having said that, China will continue to grow at around 5 percent in terms of GDP, and she will remain the biggest market and the biggest trade partner for most major countries. Japan, India, EU, the US and other like-minded countries will get along with China by mitigating their over-dependence on China, and the so-called "de-risking" from China will be seen all over the world.

Russia

Since Russia invaded Ukraine in 2022, Japan, EU, the US and other like-minded countries have imposed severe economic sanctions on Russia, who is one of the largest exporters of crude oil and LNG as well as wheat, and the global supply chains of energy and food have been seriously damaged and the "Global South" has suffered most.

Russia signed the strategic partnership agreement with China without "limits", and China has been supporting Russia's war by importing a growing amount of crude oil/LNG and by exporting dual-use technologies. Russia also concluded a military agreement with North Korea, who has been supporting Russia's war by exporting shells and missiles and even by dispatching troops to the battlefield.

In case of a Taiwan contingency, Russia and North Korea must support China by taking feint actions in the Far East and also by disrupting sea lines of communication in the East China Sea and the South China Sea, which will seriously impact economies not only in the Indo-Pacific but also in the Euro-Atlantic. Japan, EU, the US, India and other like-minded countries should be well prepared for such contingency risks by coordinating their trade policies as well as security policies.

United States

Donald Trump is anti-free trade and will most probably withdraw from the IPEF (India-Pacific Economic Framework) in the same way as he did from TPP right after his inauguration. Without a membership of any multilateral trade frameworks such as TPP and RCEP, the US will be isolated in the Indo-Pacific in terms of trade and investment. Furthermore, Trump has designated Peter Navarro as Senior Adviser on trade policies, who is a strong anti-China hawk and encourages Trump to publish a number of conservative executive orders. By all indications, the second Trump Administration will be even more inclined to protectionism than in the first term.

In order to stand up to such protectionism and to maintain the free, open and rules-based trade/investments, Japan, EU, India and other like-minded countries should get together and should collaborate their economic policies.

6.3 OPPORTUNITIES

Blue Dot Network

In 2019 Japan, USA and Australia initiated the Blue Dot Network (BDN), which has expanded to include UK, Spain, and Switzerland. It may be further enlarged to other like-minded countries. The OECD has taken on a part of its implementation,[1] and the BDN has started to prevail in the world to support quality infrastructure investments through issuing certificates to prove the quality of investments.

The core aims of BDN are as follows:

1) to provide a trusted signal to investors, communities, workers and other stakeholders that a project is aligned with internationally-agreed standards of quality infrastructure investments and has addressed key risks;
2) to streamline and synthesize standards to make infrastructure development more efficient; and,
3) to expand the availability and quality of data on infrastructure projects

The certification framework is designed to ensure that projects align with a core set of essential requirements, and the proposed certification framework has three core components.

A set of essential requirements: Projects can demonstrate alignment with essential requirements derived from commonly-applied international standards such as

- G20 Principles for Quality Infrastructure Investment.
- A scoring system: A scoring system will recognize progressively higher levels of quality infrastructure.
- An independent review system: A self-assessment followed by independent and efficient verification.

The proposed themes covered by the BDN certification are as follows:[2]

1) Promote sustainable and inclusive economic growth and development

2) Promote market-driven and private sector led investment, supported by judicious use of public funds
3) Support sound public financial management, debt transparency, and project-level and country-level debt sustainability
4) Build projects that are resilient to climate change, disasters, and other risks, and aligned with the pathways towards 2050 net-zero emissions needed to keep global temperature change of 1.5 degrees centigrade within reach
5) Ensure value-for-money over an asset's full life-cycle cost
6) Build local capacity, with a focus on local skills transfer and local capital markets
7) Promote protections against corruption, while encouraging transparent procurement and consultation processes
8) Uphold international best practices of environmental and social safeguards, including respect for labor and human rights
9) Promote the non-discriminatory use of infrastructure services
10) Advance inclusion for women, people with disabilities, and underrepresented and marginalized groups

China's BRI seems to be faced with a lot of problems, listed briefly here:

- Some developing countries have fallen into debt traps. For example, Sri Lanka is obliged to accept the 99-year lease of Hambantota Port by China, as it was unable to fulfil the commitment of reimbursement.
- Eastern/Central European countries once welcomed BRI to develop their infrastructures under the banner of "16+1", but few projects have actually materialized. Lithuania has already withdrawn from such a scheme and other countries may follow suit.
- In Africa, most of countries expected that BRI would invite local companies to join and would create new local employment, but China has brought Chinese companies/workers to build the projects without contributing to local economies.

Japan, EU, the US, India and other like-minded countries have very

good opportunities to develop quality infrastructure investments by making the most of the BDN to prove high quality to meet G20 principles and other major global standards and to accelerate de-risking with China to mitigate their over dependences on China.

Green Hydrogen

India

In 2023, India announced the "National Green Hydrogen Mission" to produce 5 million tons per year of green hydrogen by 2030 by offering the following incentives:

a) SIGHT (Strategic Interventions for Green Hydrogen Transition Program)
   - USD 2.1 billion during financial years of 2026 and 2030

b) Other Initiatives
   - USD 150 million outlay on pilot projects
   - USD 50 million committed for R&D

c) Enabling Measures
   - 25-year waiver on renewable energy interstate transmission charges
   - Port Authorities to provide land for storage bunker set-up
   - Renewable energy consumed for green hydrogen production included in RPO compliance of consumers

   (RPO or Renewable Purchase Obligation is the requirement mandated by central/state regulatory commissions.)

India calculates the Levelized Cost of Hydrogen will be US$ 1.8/kg in 2030. Currently India ranks 2nd in the world next to UAE, and is planning to export 3.7 million tons per year and to consume 1.3 million tons per year in the domestic market in 2030, so that India will be a global hub of green hydrogen in the future.

Japan

In 2017 Japan established the "National Hydrogen Basic Strategy" for the first time in the world, and in 2020 Japan declared "Carbon Neutral by

2050", based on which she will cover 1 percent of electricity sources by hydrogen/ammonia. In 2022 with the Russian invasion of Ukraine, the G7 Leaders Statement said that G7 countries would phase out from their dependence on Russia for energy supplies. Japan has allocated 800 billion for hydrogen based on the principle of "Safety, Energy Security, Economic Efficiency and Environment."

By 2022, 26 countries had announced hydrogen strategies, and among them Japan enjoys a technological advantage and is aiming at the production of 3 million tons per year in 2030, 12 million tons per year in 2040 and 20 million tons in 2050.

Japan is going to use hydrogen for the generation of electricity, mobility, fuel, raw materials, and so on and to establish a resilient/global supply chains through multilateral frameworks such as Asia Zero Emission Community (AZEC), so that Japan will take the initiative to set up global standards and will win the competition in business as well in technologies. For example, in 2022 Japan shipped liquified hydrogen from Australia to Japan for the first time in the world as a preparation for the global transportation of a large amount of hydrogen by 2030.

Europe

In 2020, the EU announced "A Hydrogen Strategy for a Climate-Neutral Europe" and is planning to produce 10 million tons per year and to import 10 million tons per year in order to lower their dependence on Russia for fossil fuels. In 2021, the EU published "'Fit for 55': delivering the EU's 2030 Climate Target on the way to Climate Neutrality" to shift 42 percent of the hydrogen demand for industrial use to green hydrogen by 2030.

According to the "British Energy Security Strategy", in 2022 the UK set up the target of producing more than 5 GW of hydrogen through electrolysis. In "Powering up Britain" in 2023, the UK supported the hydrogen production from electrolysis by "Net Zero Hydrogen Fund (NZHF)".

In Germany, the "National Hydrogen Strategy" says 5 GW of hydrogen will be produced by 2030 and additional 5 GW by 2035 or 2040 at the latest, and allocated Euro 3.53 billion for the purchase of hydrogen by 2036.

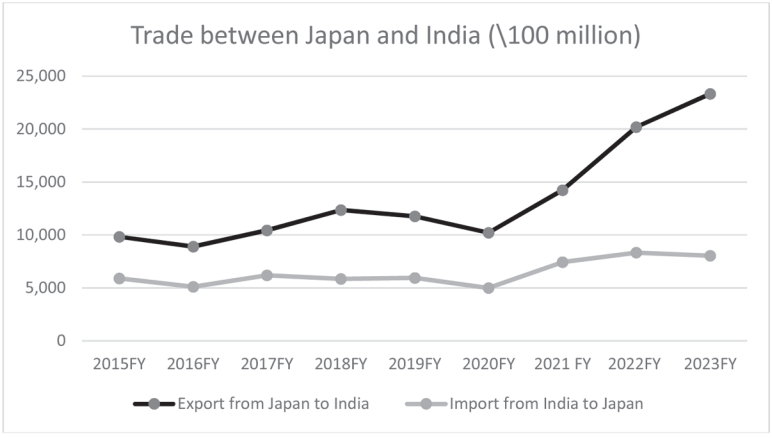
In France, the "Strategie Nationale pour le Developpement de l'Hydrogene Decarbone en France" says that France will produce 6.5 GW of hydrogen through electrolysis by 2030 with the subsidy of Euro 9 billion, and "FRANCE 2030 Decarbonation de l' Industrie" accelerates the research and development of green hydrogen.

FTAs

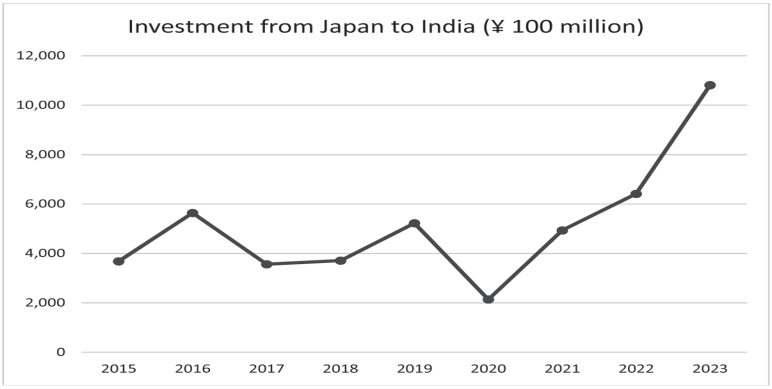
Japan and India

Japan and India signed a Comprehensive Economic Partnership Agreement (CEPA) in 2011, in which Japan will remove tariffs from about 97 percent of imports from India within 10 years and India will make about 90 percent of imports from Japan tariff-free within 10 years. As per the Agreement, Figure 6.1 depicts the trajectories of trade and investment.

Figure 6.1: Trade and Investment Trajectories between Japan and India



*from 2015 Fiscal Year (April–March) and 2023 Fiscal Year
Black Line: Export from Japan to India
Grey Line: Export from India to Japan

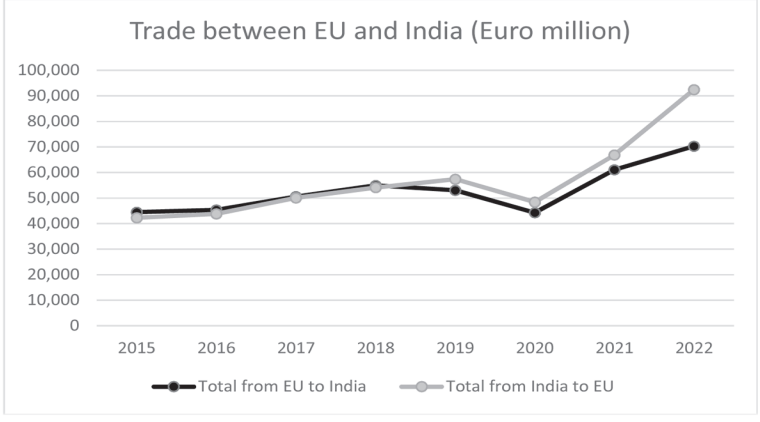


*from 2015 Fiscal Year (April^ÿMarch) and 2023 Fiscal Year
Source: DPIIT, https://dpiit.gov.in/publications/fdi-statistics.

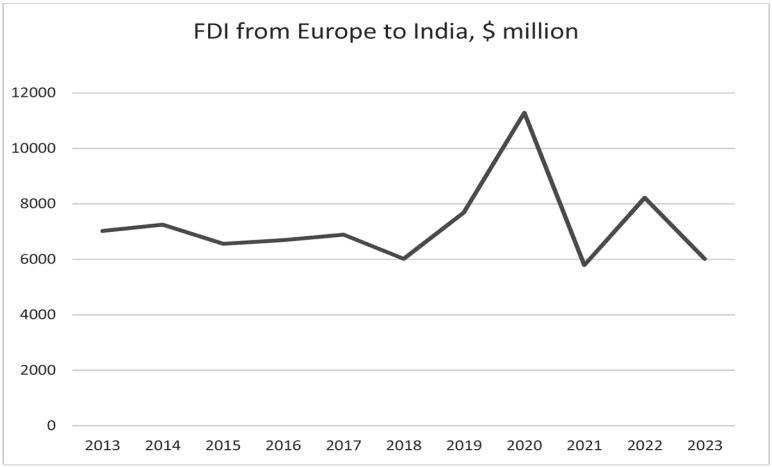
Europe and India

The European Free Trade Association (EFTA) and India concluded a Trade and Economic Partnership Agreement (TEPA) in 2024, in which EFTA will abolish or lower tariffs of 92.2 percent of imports from India and India will abolish or lower tariffs of 82.7 percent of imports from EFTA. TEPA is in compliance with Prime Minister Modi's "Make in India", and it is going to augment the investment from EFTA to India by USD 100 billion for the coming 15 years. It may take about a year to make TEPA effective. India is further negotiating with EU and UK about Free Trade Agreements. Figure 6.2 shows the trade and investments trajectories between EU and India.

Figure 6.2: Trade and Investment Trajectories between EU and India



*from 2016 to 2023
Black Line: Export from EU to India; Grey Line: Export from India to EU



*from 2013 to 2023
Source: DPIIT, https://dpiit.gov.in/publications/fdi-statistics.

Issues to be Overcome

India will surpass Japan in 2025 in terms of GDP and will play a leading role among the Global South. Both Japan and EU are going to "de-risk" with China and to shift production facilities from China to India and other Asian countries. However, both are facing difficulties— caste system, red-tapeism, rigid laws on labor and land acquisition, differences in policies of the central government and local governments, and so on—in further developing economic partnerships with India, particularly investments.

Japan and the EU concluded an Economic Partnership Agreement in 2018, which became effective in 2019. Together, they have one-third of the global trade. Japan's trade total amounts to USD 1.6 trillion and the EU's is USD 14.6 trillion, making them the largest developed economic bloc. They have also signed the additional protocol agreement on provisions on the free flow of data in 2024.

After Brexit, Japan and the UK had signed an Economic Partnership Agreement in 2020, which became effective in 2021. Japan, EU and UK have been substantially enhancing partnerships, and the parties should get together to strengthen their negotiating power with New Delhi to develop a robust economic relationship with India by significantly increasing investments as well as trade.

6.4 COOPERATION

As long as Japan and India are making efforts to develop their economic partnership under CEPA and EFTA/India are following suit under TEPA, it is worth studying the creation of a big-scale FTA among Japan, Europe and India, which together must cover the largest population, GDP, trade, investments, etc., in the world.

India has withdrawn from the RCEP in the midst of negotiations and is not a member of the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP), while IPEF may become fragile once the US withdraws. In order for India to materialize "Make in India" and to play a leading role in the Global South, she must be part of a huge economic bloc. When Japan and Europe are making their endeavor to mitigate their over dependencies on China and shift their supply sources from China to India and other Asian countries, such a huge economic bloc would be really significant.

For example, India's "National Green Hydrogen Mission", Japan's "National Hydrogen Basic Strategy" and EU's "A Hydrogen Strategy for a Climate-Neutral Europe" must have synergy of interests, in that India is planning to be a global hub of green hydrogen based on her cost competitive renewable energies and Japan/EU are seeking global operations of green hydrogen at competitive prices. The three parties have a very good chance to establish global networks of green hydrogen/ammonia.

In the meantime, reportedly there are as many as 30 million Indian diaspora in the world, who are playing key roles in their countries and are also exerting their influence on India. The Modi Administration appreciates their activities and PM Modi has meetings with them whenever he visits their countries. Particularly, the Indian diaspora in Singapore is playing a leading role in making investments in India, since Singapore identifies herself as "Singapore Incorporated" and invites major Japanese, European, and American companies to set up headquarters in the Indo-Pacific. Through the Economic Development Board (EDB) and Enterprise Singapore (ES), Singapore can be a conduit state as a "One Stop Center" for facilitating investment vehicles among Japan, EU and India. Moreover, "Infrastructure Asia (IA)", established by Enterprise Singapore and the Monetary Authority

of Singapore, can help extend investments in Asia through financing, networking of private/public sectors, and provision of legal services by Singapore-based companies in partnerships with Japanese, European and Indian companies. In order to overcome inherent difficulties in India, Japan and the EU should make the most of the Indian diasporas to develop businesses with India.

Under Trump 2.0, the world is getting volatile and unpredictable, and it is critically important for Japan, EU and India to coordinate with each other to enhance their mutual economic security.

ENDNOTES

1 OECD, "Towards a global certification framework for quality infrastructure investment: Private sector and civil society perspectives on the Blue Dot Network – Highlights," 2021, https://web-archive.oecd.org/2021-06-05/590886-Towards-a-global-certification-framework-for-quality-infrastructure-investment-Highlights.pdf.

2 OECD, "The Blue Dot Network: A Proposal for a Global Certification Framework for Quality Infrastructure," GI Hub, March 22, 2022, https://www.gihub.org/resources/publications/the-blue-dot-network-a-proposal-for-a-global-certification-framework-for-quality-infrastructure-investment/.

7

India-Japan Strategic Cooperation and IPEF: Productive Stability in the Indo-Pacific

Dattesh Parulekar

7.1 BACKGROUND

The multivariate radiating threats, emanating from dysfunctional WTO-chaperoning trade architecture, a clamor for accelerated agency over taming global commons depredations, and a ravaging pandemic, all transpiring, amidst intensified ideological polarization, has posed four sets of concerns, for global humanity and the wider swathe comity of nations. **Firstly**, it evokes disquiet, flowing from the general drift towards mercantilist protectionism, which is carving up geographies, along competitive wedging trajectories of trade alignments. **Secondly**, it spurs anxieties that stem from an untenable level of operative supply-chain dependence on a single sovereign viz., China, with the potential to leverage a vice-like chokehold on strategic portfolios of industrial materials, production processes and manufacturing ecosystems. **Thirdly,** it amplifies the urgency to address the dystopian dimension of climate change and unsustainable carbonization, by state and society. **Lastly,** it illuminates the downsides to an inadequate consideration around fairness, transparency and equitability in inter-sovereign transactions, strategic ordering at regional and global levels, governance structures, and societal offering, alike.

With the strategic center-of-gravity transitioning from Euro-centricity to ostensible Indo-Pacific-ness, the imperative for a robustly connected, resiliently diversified and pluralized, clean and green induced, and integrity anchored economic and industrial system, shaping the milieu, renders paramount. Given the incendiary nature of US-China contestation, spanning tariff-feuds, techno-adversarial law-fare, and exclusivist militaristic-security maneuvers, it's conceivable that the economic framework for the Indo-Pacific region cannot singularly be underwritten either by Washington or Beijing, even though, their comprehensive national power quotient affords them the latitude to predominantly condition the lay-of-the-land on seminal socio-economic initiatives.[1] Amidst American mixed messaging of sustaining regional deterrence and pursuing retrenchment from global travails, juxtaposed against the steepening ascendancy of Chinese sharp-power wielded through pioneering critical infrastructure-build, digital-technological ingress, and the corralling of pivotal strategic minerals, across the region, a larger role is necessitated for resident democratic and enterprising powers, such as a rising India and a broadsheet engaged Japan, to fill the breech, vide assuming a greater burden-sharing towards distributed regional economic, industrial, technological and security hues heavy-lifting.

7.2 The Indo-Pacific Economic Framework: An Introduction

The US spearheaded Indo-Pacific Economic Framework for Prosperity (IPEF), unveiled on the margins of the Quad Summit in Tokyo during May 2022, marks a multilateral initiative between 14 sovereign protagonists, spanning the breadth of the region's geographical coordinates, founded in modernized regional economic cooperation, instrumentalizing mechanisms aimed at mobilizing strategic investments, harmonizing technical standards, spawning tangible capacitation, and spurring operational attributes of resilience, sustainability, transparency, and inclusivity. The signature endeavor, that hems-in cornerstone East Asian (Japan and the RoK) and South Pacific allies (Australia and New Zealand), as also seven dynamic ASEAN economies, and India, with Fiji in tow, marks Washington's renewed commitment to development and prosperity of a region, it long reckoned as the lynchpin to trade and investment, but which stood mortally impacted by its own abrupt

2017 departure from the self-pioneered trade initiative, the Trans-Pacific Partnership, leaving a void.

The IPEF framework challenges sovereign constituents to forge actionable synergies across a quartet of work-flow verticals, viz., (1) **Trade** (Digital Trade and Data Standards) (2) **Resilient Economy** (Sustainable Supply Chains and Critical Materials Ecosystems) (3) **Clean Economy** (Energy Transition and Green Technologies for Climate Action) (4) **Fair Economy** (Fostering Anti-Corruption Regime, Transparent Processes, Stakeholders' Equity, etc.).[2] The cooperation framework initiative, which is unlike the twin trading arrangements of the US-mooted but now Japan-steered CPTPP and the ASEAN-envisioned but China-dominated RCEP that have held sway in the region, is also distinct, in terms of the plug-and-play character of the format that has allowed members to decide the pace of their segue, within the four strategic cooperation pillars. The composition of IPEF speaks for itself, with one-half of its membership drawn from ASEAN, whose three excluded members is also a story in itself. The ASEAN straddle is centripetal to the configuring power balance as also the locus of sovereign interchange. Brimming economies in South East Asia are a magnet for investments funneling in from all directions, ranging from connectivity infrastructure and critical minerals to manufacturing supply chain logistics and clean and green technologies.[3] ASEAN's multi-aligned and omni-engaged diplomatic socialization and refusal for preferences can be a stress buster for an IPEF that can turn invariably incendiary with the US-China dynamic. However, without the India-Japan duo on side, the ASEAN-7, would in itself, not constitute the critical mass, to hold IPEF from descent into binary conflict.

India and Japan, as veritable arch-pillars to a progressively preeminent Indo-Pacific firmament, stand testament to decades of productive equations, premised upon proactive personal diplomacy, values-based affinities, and a convergent strategic outlook, anchored in strong commercial ties, development assistance lending, and iconic infrastructure-build, underpinning the India growth story.[4] Notwithstanding, the unfolding relationship finds itself being mutually elevated, to a higher strategic orbit, not simply through former Prime Minister Kishida's numerical promise of scaled-up investments to the tune of 5 trillion yen by 2027, but through

consummating qualitatively refined avenues of strategic economic collaboration, focused on industrial and socio-economic supply-chains, critical and emerging technologies, and advancing a global commons compact, towards consolidating a beneficent rules-based international order.

The India-Japan quest for higher order cooperation constitutes a congruent blend of 'Scale' mating 'Skill', further reinforced by the competencies of India's frugal innovations chiming with Japan's exquisite excellence wherewithal. At the geopolitical level, both sides recognize the imperative for calibrated hedging which involves deepening strategic ties with Washington and yet maintaining sufficient equity in their respective China equation. In their according profiles as strategic partner and treaty-ally of the US, New Delhi and Tokyo are riding pronounced and subtler trajectories of strategic autonomy, yet finding avenues for actions in-concert, shaping concurrent geopolitical deterrence and geo-economic self-reliance, as national strategy.[5] Asia's second and third largest economies are further best placed to optimally harness the strategic dimensions of the IPEF, through wider cooperation and strategic coalition building, levering hard and soft power socialization with the ASEAN cohort, and the South Pacific constellation, given that their approach exudes beneficence over coercion and embodies risk-mitigation over reductionist containment.[6] Amidst trends witnessing the growing industrial, infrastructural and technological embed of ASEAN economies within the Chinese remit of influence, it's an India-Japan led compact that can preserve the precious 'ASEAN Centrality'.[7]

7.3 India-Japan 'Clean Economy' Partnership

India signed on to the Clean Economy Compact of IPEF during PM Modi's US-convened Quad Summit sojourn in September 2024, thereby committing itself to promoting technical cooperation, workforce development, capacity building, and research collaborations, for development, access and deployment of clean energy and climate friendly technologies.[8] This facilitates integration of Indian MSMEs into regionally established global value chains, besides imparting access to productive investments through the Catalytic Capital Fund and Accelerator mechanisms devised within the IPEF.[9] The maiden Investor Forum convened under the IPEF in Singapore in June 2024 witnessed fiscal prioritization of region

wide clean energy projects worth USD23 billion. Crystallizing from the meet was a tangible INR36,238 crore framework agreement between India, Singapore, and Japan to build a state-of-the-art ammonia plant in Thoothukudi, Tamil Nadu, with the US International Development Finance Corporation (IDFC), pledging another USD1.5 billion, for piloting India's clean energy transition. Similarly, the IPEC Catalytic Fund saw the likes of US, Japan, South Korea, and Australia pledge USD33 million to the cause, pitching for manifold private sector commitment of about USD3.3 billion.[10]

This said, India and Japan have been making substantial progress in implementing the vision of a secure, efficient, resilient and sustainable energy system. Both countries' energy policies are guided by the principles of energy security, efficiency, and environmental sustainability, with clean energy transition and safety as a premise. The two sides inked the Clean Energy Partnership in March 2022, which tectonically advanced the forerunning bilateral Energy Dialogue of 2007, lending it a comprehensive tenor through identification of 11 dynamic work-streams, viz., electric vehicles, battery and storage systems infrastructure; energy conservation and efficiency; development of solar panels including PV cells; wind energy; green hydrogen; green ammonia; greater and cleaner LNG; CCUS (carbon capture, utilisation and storage); emergent fuels (biofuels & CBG); strategic petroleum reserves; and clean coal technology.[11]

New Delhi, which boasts the fourth biggest RE installed capacity, has enjoined strategic goals in renewable energy production, sustainable energy transition and full spectrum exploration and harness of diversified energy sourcing, that involves augmenting RE capacity to 500 GW, on the back of a 45 percent denude in fossil fuel footprint, and entailing a USD1.4 trillion investment in green infrastructure, all by 2030. The National Green Hydrogen Mission (NGHM) unveiled in January 2023, at INR19,744 crore, aims to establish India as a global leader in the production, use, and export of green hydrogen and its derivatives, such that the nation can produce 5 million metric tons (MMT) of green hydrogen annually, come 2030.[12] And Japan construes as an invaluable and comprehensive strategic partner to deliver. The country is renowned for manifest cutting-edge expertise in the RE domain having pioneered one of the world's largest-class hydrogen plants in 2020, and is pilot testing the fuel-cell stack technology-based water

electrolyser to produce hydrogen, derived from Toyota's fuel-cell electric vehicle development. The first maritime carrier equipped to transport liquefied hydrogen completed its successful traverse from Japan to Australia in 2022, even as the country pursues technology to mass produce potential jet-fuel from microalgae, as an alternative sustainable aviation fuel.

Even as the pandemic bore down, Japan laid down a marker, by launching the marquee Asia Energy Transition Initiative (AETI) in 2021, with a plausible preliminary focus on ASEAN countries, and included among other dimensions a USD10 billion financial package roll-out, primarily, for renewable energy capacitation in Asia. The AETI now seeks to mirror an expanded approach within and in sync with India. Japanese advancements in the EV ecosystem, green hydrogen stream, and ammonia production can align perfectly with India's National Green Hydrogen and Solar Missions, as also infusion of Japanese capacity competencies in the GoI's PLI scheme. The dint of Japanese collaborations with vibrant partner third countries such as Thailand, Australia, Denmark, Norway, the UAE, and even SIDS in the South Pacific (Fiji, Tuvalu, Kiribati and the Marshall Islands) not only bolsters reputational credence but fuses well into India's own strategic partnering with financial, industrial, and technologically replete countries.[13]

7.4 India-Japan Compact for a 'Resilient Economy'

While the heart of the bilateral relationship is vested in the Comprehensive Economic Partnership Agreement of 2011, of course entailing substantive review and attendant revision, the relationship is increasingly being defined by deliberated forays in futuristic sectors such as semi-conductor technology, energy transitioning green technologies, and digital transformation. The July 2023 signing of the Memorandum of Cooperation to fructify vibrant end-to-end collaboration (design, manufacture, research, talent development, chip-supply chain ecosystem) across the semi-conductor space, and to intertwine G2G, B2B, and B2G networks for seamless progression, constitutes an inflexion point in the cooperative road to structured innovation. Japan heralds an inveterately coveted pedigree in the semi-conductor industry on account of a technologically well-endowed private sector footprint, coupled with expertise in precision manufacturing, materials-science, and chip-design positions, which left it wielding 80 percent

control over the domain in the 1980s, only to dramatically erode to about 10 percent in contemporary times. Japanese ascendancy in terms of home-grown materials inventory and sophisticated advancements in chip application technology, positions it at the vanguard of high-tech operations as also in striking strategic partnerships and geopolitically laden coalition-building, whether through Sony Corp. with TSMC (Taiwan) and Rapidus Corp. with IBM (US) individually or through the 'Chip4 Alliance' (US, Japan, South Korea, and Taiwan).[14]

Japanese heavyweights such as the Rapidus Corp. are primed to converge with Indian objectives and requirements, as enunciated in the Indian Semiconductor Mission (ISM) 2021, since they can fill the breech on lagging Indian capabilities for superior fabrication and nano-chip development, just as India can reciprocally be the human talent feeder for a country whose ageing demographics are impeding industry processes, on account of skilled workforce deficits.[15] Given New Delhi's entered compact with Washington over design, manufacturing, packaging and supply chain resilience, which can be suitably complemented by Japanese competencies in peripherals, producing chemicals and gases for semi-conductor procreation, the India-Japan-US triumvirate can make significant headway with material regional resonance, building robust and resilient semiconductor ecosystems, which are progressive, higher-order, efficient, local-stakeholder driven, tech-disseminating, but epochally devoid of coercive weaponizing statecraft.[16]

Decarbonizing carbon heavy domains, ranging from steel production to the shipping industry, remains integral to accomplishing the strategic objective of clean-and-green. India's steel sector, a national development vital, is projected to virtually double in capacity generation, clocking 300 million tons by 2030 and could do well with decarbonized solutions. New Delhi and Japan have struck a cooperative arrangement that pledges mutual knowledge-dissemination, best practices sharing and seeding joint initiatives for advent of 'clean-steel' tech. Japan is a pioneer in the carbon capture utilization and storage (CCUS) continuum, identified as one of the effective ways of attenuating GHG emissions. Furthermore, India and Japan have designed and developed a Joint Crediting Mechanism (JCM) allowing Japanese companies to invest in carbon mitigation technologies in India and receive credits that can be availed to offset their emissions. Currently

extended to 11 countries worldwide, including Indonesia from within IPEF, such carbon crediting tools enable to indemnify developing countries from searing upfront costs of breakthrough technologies, through subsidized investments that equalize costs across tech options. Clean energy transition pathways are significant for countries [17]all along the industrialized pecking-order, from critical minerals endowed Indonesia to commodities exporter Australia, to an ocean state such as Fiji. Hence, the India-Japan strategy of decarbonization outreached to Indo-Pacific countries would ameliorate their grapple with sustainable energy transitions.

The India-Japan convergence extends to sectors hitherto considered as socio-economic preserves of governance but now securitized and appreciated as being at the intersection of national development and national security. Health is one such sector where Covid revealed the glaring predominant dependence on China for APIs, spooking economies and societies, triggering an urgent response in the form of shoring-up durable and diversified supply chains. Food security concerns often considered peripheral have been amplified by flaring virulent hotspots, leaving emerging economies and developing societies to prioritize insulating impacts. This has unleashed interest in promoting cross-sectional start-ups endeavoring to build sunrise technologies and innovation, intermediating logistical platforms with digital offering solutions. India and Japan have lent their strong support to tech entrepreneurs fostering start-ups foraging for solutions across health-tech, agri-tech, fin-tech and storage and transportation logistics. The IPEF needs to redoubtably commit capacities and resources to materialize innovation, across critical industries of batteries, chemicals and minerals, to ensure national security and societal wellbeing.[18]

7.5 India-Japan Framework for 'Connected Economy': The Digital Partnership

Japan is the iconic exponent of digital technological products, yet, its digital economy footprint pales in comparison. A tectonic shift was envisaged when New Delhi and Tokyo put pen to paper during PM Modi's 2018 visit for a Memorandum of Cooperation between India's Ministry of Electronics and Information Technology (MeitY) and Japan's Ministry of Economy, Trade and Industry, the respective ministry nomenclatures a telling tale of respective

conceptions of digital technology and its profile. While India views digitalization as an instrument of socio-economic empowerment leading to emancipation, Japan visualizes digital technology through its commercial value, essentially as revenue and profit engendering trade. India and Japan through India-Japan Digital Partnership 1.0 and 2.0 have embraced a wide slew of digital advents and offerings, spanning nurturing start-ups to matchmaking amongst digital firms, to high-end electronics systems design and manufacturing facilities and mechanisms for harnessing of digital talents, to seeding and steering R&D surrounding realms of cyber-security, infrastructure for future networks, artificial intelligence, deep sea cables, infrastructure automation, digital public infrastructure and virtual payments interface, innovation, and the ilk.[19]

Japan remains wedded to the conceptual framework of Digital Free Flow of Data with Trust (DFFT) delineated by Shinzo Abe in 2019. However, crystallizing an operative ecosystem that addresses the rule-framing concerns around data privacy, localization, flows, and safeguards is formidable. Finding consensus in favor of a high-threshold IPEF agreement which conforms to US domestic expectations and yet alluring enough to gravitate lesser developed IPEF members is arduous. New Delhi's refusal to go along with the DFFT principle, citing definitional subjectivity and the dint of under-legislated policy terrains in developing countries puts it at odds with Tokyo.[20] This said, India and Japan would be well served to helm a dialogue that exhorts clarity over technological sophistication, innovative spinoffs, and geopolitical and geo-economic concerns pertaining to national security, intellectual property rights and privacy safeguards, which could morph into discussions around defining data typology in generic, curated and exceptional carve out elements enabling the legal edifice on data governance.

7.6 India-Japan Cooperation over Fair Economy – Stakeholder Centric

Despite the doubling down of the Trump administration on migration per se and the general drift of major economies being conservative on issues of liberalizing foreign workforce regimes, the epochal nature of high skilled mobility has not dissipated. India for its part, with a rich reservoir of high skilled individual talent has insisted upon fair and balanced treatment of

worker rights within trade agreements, be they FTAs, phased or multilateral trade arrangements, an issue that served as one of the reasons for its recusal from the RCEP. In this regard, India has been critical of its existing trade and investment frameworks with East Asian economies Japan and South Korea, stating tightened foreign workforce conditions as disincentivizing. Recently inked limited trading accords with the likes of Australia and the UAE are accompanied by 'Migration-and-Mobility' pact documents that commit to allowing Indian talent to seek higher end employment avenues within these countries. The Fair Economy pillar within the IPEF transcends corruption and illegal practices to embrace fairness in worker conditions, rights, and allied attributes. With CEPA broadly up for renegotiation, it might be desirable for India and Japan to frame a skilled workforce agreement that could accompany a renegotiated CEPA or even a standalone agreement that could be a trailblazer for regional economies to fashion worker enabled accords. It is evident that Japan's global leadership in the technological space is threatened by its skewed demographics of a sharp decline in productive workforce. With up to 20 percent productive, people expected to exit the system into 2040, and Japan grappling with the lowest of labor productivity numbers amongst all G-7 industrialized nations is now coming unstuck.[21]

A workforce agreement with India—the 14th country with whom Japan had entered into such an arrangement—facilitating and building on the Memorandum of Cooperation (MoC) signed back in 2021 is in order. Under the MoC, New Delhi and Tokyo identified 14 sectors (nursing, electronics, industrial machinery, manufacturing, aviation, agriculture, etc.), requiring curated skilling for mutual benefit, creating more attractive gainful employment opportunities for target individuals and fueling the remittance economy, whilst bridging labor gaps in Japan, yet not vitiating the pervading societal conservate sentiment around migration into Japan. Predating such avenues are mechanisms such as the 'Manufacturing Skill Transfer Promotion Programme', wherein Japan undertakes to train up to 30,000 Indians over a decade in the Japan-India Institute for Manufacturing (JIM) and Japanese Endowed Courses (JECs) across Indian colleges, offering Japanese styled skills and training in practices that would optimize them to enhance the national manufacturing base and initiatives such as Make-in-India and Skill-India respectively. Similarly, the 2017 Technical Intern Training Programme

(TITP) provides Indian youth opportunities in manufacturing, healthcare, construction, textiles, and agriculture. Notwithstanding, measures have been taken by Indian industry associations such as NASSCOM, for instance, establishing an IT corridor project in Hiroshima Prefecture, to gravitate highly skilled talent to Japan, and forge more intimate ties between business setups.[22] India for its part, sees export of human talent as a prime national asset and has been piloting skilling, reskilling and upskilling of workforce with multiple countries, creating talent pool that can be recruited on long-term plain-vanilla on-shore job model or temporary purposes suited to specific project requirements.

There is good reason for the IPEF initiative to pick up the threads on its assurance to build fairer worker conditions, equitable rights, and impart a beneficent and balanced workplace. Consensus need to be built around framing an agreement on human resource mobilization, through institutionalization of an integrated labor market, where potential workers from lower income countries could match with employers in higher income or more industrialized country.

7.7 Conclusion

Plausible uncertainty surrounds the IPEF and its future, as the initiative's promoter is helmed by a capricious President. Would President Trump pour scorn on the initiative simply because it pertained to his predecessor or will he internalize the merits of the strategic project. Will he perceive the IPEF as an enlightened community building exercise that forges a common identity, advances common interests, and by extension, address threats posed to the rules-based schema? Or will he construe it through the narrow sliver of tariffs and trade deals, wherein any and all concessions and incentives shall be contingent, upon individual member-states addressing lingering trade issues with Washington?[23] Will he comprehend the subtleties with which the IPEF can go about mitigating China in the region, or will he double down and make the IPEF a frontal bulwark to China, thereby threatening its fate similar to that of the Quad Plus telecon of 2020?

Although incorporation into the IPEF initiative proffers New Delhi the scope to instrumentalize proactive economic engagement and forge productive strategic geo-economic partnerships with sovereign actors, the

fraught landscape on certain counts ensures that it's not plain sailing. India joining the IPEF, albeit through onboarding three of the four work pillars, chimes with furthering India's national development priorities and safeguarding national security imperatives. The clean energy and decarbonization goals meld with India's COP delineated targets and broader net-zero commitment through 2070, vide positioning New Delhi as a cogent global hub for comprehensive electric vehicles ecosystem and broader green renewable tech consumer. The IPEF's marked emphasis on building resilient supply chains, which implies insulation from external weaponization, but also diversification to surmount inadvertent dislocations, fuses with Indian policymakers considerations for fashioning near-and-friend-shoring oriented mini-lateral and pluri-lateral supply chain coalitions, but also bolstering national wherewithal vide channelizing competencies into its Production Linked Incentive (PLI) arrangement that fosters import substitution and winnows structural dependency of existential ramifications.[24] This said, the IPEF's efforts to combat the scourge of white-collar crimes (money laundering and venality, illicit proceeds accruing from non-traditional threats, black money and tax-evasion, etc.), is a cause that India has been an ardent votary of.

The ostensible strategic objective guiding the IPEF is to build a community of sovereigns subscribing to certain commonly partaking standards of rulemaking governing critical processes. Multiple IPEF constituents having adopted legislative and policy-oriented thresholds of disposition that leave India an apparent laggard, particularly with regard to national regulations pertinent to data standards, cross-border terms for data exchange, localization and privacy issues.[25] For a nation whose e-commerce market is poised to burgeon, reticence to join tech-trade networks and coalitions due to incompatibility with base line standards and regimes would hurt. India's wariness to go beyond an observer status with regard to Pillar I (trade compacts) derives from its pushback against labor and environmental issues being thrown into the mix, and should these become binding and enforceable would undermine India's profile in IPEF.[26]

New Delhi, instead, finds the India-Japan bilateral drive and forging of regional cooperative coalition-building across IPEF-enjoined priority areas more comforting, as it stems from a focus on weaving factor productivity

elements (financial, technical capacity, logistical capability, technology transfer, social capital), sans raising wedging ideological or geopolitical considerations.

ENDNOTES

1 M. Bhadrakumar, "IPEF will be a hard sell in the Indo-Pacific," *Asia Times*, May 25, 2022, https://asiatimes.com/2022/05/ipef-will-be-a-hard-sell-in-the-indo-pacific/#.

2 A. Trivedi, "Experts React to Biden's Indo-Pacific Framework. South Asia Center," Atlantic Council, June 1, 2022, https://www.atlanticcouncil.org/blogs/southasiasource/experts-react-bidens-new-indo-pacific-economic-framework/.

3 S. Negara and M. Wihardja, "Fulcrum: Analysis on South East Asia. IPEF's Relevance for ASEAN," September 19, 2023, https://fulcrum.sg/aseanfocus/ipefs-relevance-for-asean/.

4 J. Maniar, "The Relevance of the Indo-Pacific Economic Framework to Japan and India," Usanas Global Analysis (Online), September 8, 2022, https://usanasfoundation.com/the-relevance-of-the-indo-pacific-economic-framework-ipef-to-japan-and-india.

5 P. Gupta, "Indo-Pacific Economic Framework for Prosperity: What IPEF holds for India," *Financial Express*, June 4, 2011, https://www.financialexpress.com/opinion/indo-pacific-economic-framework-for-prosperity-what-ipef-holds-for-india/2547344/.

6 S. Majumder, "New Era of India-Japan Relations: Polarizing Counter-Weight to China and Reinforcing IPEF To Outbid RCEP," Eurasia Review: News and Analysis (Online), February 17, 2023, https://www.eurasiareview.com/17022023-new-era-of-india-japan-relations-polarizing-counter-weight-to-china-and-reinforcing-ipef-to-outbid-rcep-analysis/

7 S. Saran, "Missing the Significance of IPEF," Centre for Policy Research (CPR) Commentary, June 16, 2022, https://cprindia.org/wp-content/uploads/2022/06/Shyam-Saran-IPEF.pdf.

8 Press Trust of India, "India Signs IPEF Bloc's Clean and Fair Economy Agreements to Boost Cooperation," *The Business Standard*, September 22, 2024, https://www.business-standard.com/economy/news/india-signs-ipef-bloc-s-clean-fair-economy-agreements-to-boost-cooperation-124092200218_1.html.

9 R.V. Anuradha, "The IPEF: An Indian Perspective," ISAS NUS-KAS India Discussion Paper Series, Chapter 7, 2023, https://kas-japan.or.jp/wp-content/uploads/2023/09/IPEF-Discussion-Paper-Series_Chapter-7.pdf.

10 J. Nedumpara and P. Reddy, "IPEF's Clean Economy Opportunities," Gateway House, December 5, 2024, https://www.gatewayhouse.in/ipefs-clean-economy-opportunities/.

11 T. Gupta, S. Raha, K. Sawant, and A. Porne, "Accelerating the Indo-Pacific Energy Transition," CEEW Issue Brief, May 2023, https://www.ceew.in/sites/default/files/CEEW-Research-On-Accelarating-Indo-Pacific-Energy-Transition.pdf; K. Maitreyi and R. Panda, "India, Japan to improve bilateral cooperation towards Clean Energy Transition," *Down To Earth*, March 2, 2023, https://www.downtoearth.org.in/renewable-energy/india-japan-to-improve-bilateral-cooperation-towards-clean-energy-transition-88029.

12 Press Trust of India, "India, Japan to collaborate on EVs, battery storage, hydrogen," *The Business Standard*, March 19, 2022, https://www.business-standard.com/article/current-affairs/india-japan-to-collaborate-on-evs-battery-storages-hydrogen-122031900869_1.html.

13 R. Borah, "India and the IPEF: What Lies in Store," *Japan Forward*, June 29, 2022, https://japan-forward.com/india-and-the-ipef-what-lies-in-store/.

14 N. Marjani, "Can IPEF Reduce India's Economic Dependence on China?" *The Diplomat*, May 27, 2022, https://thediplomat.com/2022/05/can-ipef-reduce-indias-economic-dependence-on-china/.

15 Ministry of Commerce & Industry, "India attends the Indo-Pacific Economic Framework for Prosperity (IPEF) Ministerial meeting in Singapore," Press Information Bureau, June 6, 2024, https://pib.gov.in/PressReleaseIframePage.aspx?PRID=2023211#:~:text= India%20attends%20Indo%2DPacific%20Economic,IPEF)%20Ministerial%20meeting%20in%20Singapore&text=Indian%20delegation%20led%20 by%20Secretary,Singapore%20on%206%20June%202024.

16 J. Mellsop, "The IPEF: Two Steps Forward but One Important Step Still Missing," Asia Society Policy Institute, March 15, 2024, https://asiasociety.org/policy-institute/ipef-two-steps-forward-one-important-step-still-missing#:~:text=The%20Missing%20Piece&text=The%20IPEF%20institutional%20agreement%20includes,during%20the%20U.S.%20election%20year.

17 S. Saptakee, "India and Japan Strike a Green Ammonia Offtake Deal," August 24, 2024, https://carboncredits.com/india-and-japan-strike-a-green-ammonia-offtake-deal/.

18 A. Giridhardas and M. Linscott, "Strengthening the India Link in the Indo-Pacific Economic Framework for Prosperity," *The Hindu*, November 4, 2024, https://www.thehindu.com/opinion/op-ed/strengthening-the-india-link-in-the-indo-pacific-economic-framework-for-prosperity/article68826893.ece.

19 S. Nagy, "The IPEF: Japan's Economic Realism and Approach to Indo-Pacific Engagement Resilience and Rule-Setting," ISAS NUS-KAS Japan Discussion Paper, 2023, https://www.academia.edu/106547386/The_IPEF_Japan_s_Economic_Realism_and_Appro ach_to_Indo_Pacific_Engagement_Resilience_and_Rule_Setting.

20 D. Choudhary, "Japan urges India to Join Indo-Pacific Framework's Trade Pillar," *The Economic Times*, February 13, 2023, https://economictimes.indiatimes.com/news/india/japan-urges-india-to-join-indo-pacific-economic-frameworks-trade-pillar/articleshow/97857957.cms?from=mdr.

21 N. Ghosh, "Can a new Japan-India Collaboration for an Integrated Labor Market be the new Growth Force?" Japan Up Close, March 17, 2025, https://japanupclose.web-japan.org/policy/p20250317_1.html.

22 Confederation of Indian Industry (CII), "India-Japan Economic Synergies," April 2024, https://www.cii.in/International_ResearchPDF/India_Japan_Partnership_Report%202024_Web.pdf.

23 S. Chen, "Reflecting on IPEF's impact and charting the future: A perspective of US domestic politics," *China International Strategy Review* 6 (2024), https://doi.org/10.1007/s42533-024-00173-6.

24 A. Palit, K. Kalachelvam, and N. Yadav, "IPEF and India: Identifying the Prospects," ISAS Insights No. 721, June 2, 2022, https://www.isas.nus.edu.sg/wp-content/uploads/2022/06/ISAS-Insight-721.pdf.

25 F. Quimba, A. Mark, M. Barral, and A. Anthony, "Exploring Regional Integration with Indo-Pacific Economies: A Background Analysis for IPEF Strategies," PIDS Discussion Paper Series, No. 2023-37. Philippine Institute for Development Studies (PIDS), 2023, https://www.econstor.eu/bitstream/10419/284636/1/pidsdps2337.pdf.

26 M. Erin, "The IPEF: Three Pillars Succeed, One Falters," CSIS Commentary, November 21, 2023, https://www.csis.org/analysis/ipef-three-pillars-succeed-one-falters.

III. PATHWAYS THROUGH RECEDING MULTILATERALISM

8

Japan-India-EU Economic Security Cooperation Amidst a Multipolarizing World

Kunihiko Shinoda

8.1 INTRODUCTION

With the emergence of strategic competition between the United States and China in the 2010s, the geopolitical landscape has undergone further transformation due to events such as Russia's invasion of Ukraine. The launch of a second Trump administration in the U.S. in 2025 has further accelerated this shift. The US has abandoned its role in maintaining and strengthening the international order, while authoritarian powers such as China and Russia have expanded their presence, pushing the world toward multipolarity. Amidst these changes, various economic security challenges have become prominent: the fragmentation of supply chains between Western advanced economies and China/Russia, economic coercion by China, unstable energy and food supplies in the Global South, and the spread of digital authoritarianism.

Japan, India, and the EU share common principles and values such as freedom and democracy, and uphold the rule of law and a free and open international order. There is ample room for cooperation among these three actors in rebuilding a rules-based international trade order in the Indo-Pacific, establishing reliable supply chains, and strengthening collaboration with the Global South.

This chapter provides an overview of Japan-India-EU cooperation in economic security by examining i) the direction of their economic diplomacy by country/region (like-minded partners, the Global South, China, international organizations), and ii) responses to specific policy challenges (regional economic integration, digital issues, supply chains, economic coercion, connectivity enhancement, energy and food security).

8.2 Opportunities and Challenges for Japan, India, and EU

8.2.1 Geopolitical Shifts Affecting the Indo-Pacific

In the Indo-Pacific region, various geopolitical shifts—such as strategic competition between the US and China, Russia's invasion of Ukraine, and the ongoing multipolarization under Trump 2.0—have created both challenges and opportunities in the realm of economic security.

Strategic Competition Between the US and China

Since the inauguration of the Xi Jinping administration in 2012, China has emerged as a major economic and military power. Domestically, it has strengthened Communist Party rule, altered the "one country, two systems" arrangement in Hong Kong, intensified assimilation policies in ethnic minority regions, and abolished presidential term limits. On the foreign policy front, China has expanded its influence through the Belt and Road Initiative (BRI), aiming to assert economic and security dominance across Asia, Europe, and Africa. At the same time, it has sought to change the status quo in maritime order through force in the East and South China Seas, the Taiwan Strait, and along the India-China border.

Meanwhile, although the US retains its position as the world's leading economic and military power, it has faced domestic issues of social and economic inequality resulting from globalization and unrestrained capitalism. Since the inauguration of the Trump administration in 2016, the US has pursued an "America First" and isolationist foreign policy.0The US perceives the roots of its strategic competition with China as stemming from China's governance model, thus framing their rivalry increasingly as a systemic one. As a result, the international order is under growing strain.

In Asia, the US' Pacific alliance network with Japan, South Korea, the Philippines, Australia, and Thailand remains weaker compared to the solid NATO alliance. In contrast, countries opposing liberal values—such as China, Russia, and North Korea—are drawing closer together. Following similar developments in Europe and the Middle East, risks of forceful changes to the status quo are rising in the East and South China Seas, as well as Taiwan.

On the economic front, protectionist trends began to surface in the mid-2010s, triggered by intensifying US-China strategic competition. What started as a trade dispute has evolved into a race for technological supremacy. The US has introduced additional tariffs, tightened investment and export restrictions, and imposed bans on government procurement. In response, China has enacted countermeasures such as the "Unreliable Entity List," the Export Control Law, and the Anti-Foreign Sanctions Law. The strategic rivalry between the US and China is becoming prolonged. Combined with the resurgence of the Trump administration, this competition could expand from "de-risking" and "small yard, high fence" approaches to full "decoupling."

Russia's Invasion of Ukraine

Russia's invasion of Ukraine, which began in February 2022, continues with ongoing fighting in the eastern and southern regions of Ukraine. This conflict has become the worst war in Europe since World War II. As Western countries respond to Russia with a wide range of economic sanctions and other stringent measures, Russia has sought to strengthen ties with non-Western nations, including China and countries in the Global South. Russia has significantly increased its exports of crude oil to China and India, while also expanding its imports of Western high-tech equipment via Central Asian and other Global South countries.

Russia's invasion, compounded by US-China tensions, has contributed to deepening divisions among three broad camps: Western countries led by the United States; Russia and its supporters; and the Global South—comprising many emerging and developing nations—seeking to maintain distance from the confrontation between the West and Russia. This divide was evident in the vote on a UN General Assembly resolution condemning

Russia immediately after the invasion, where several countries—including China, India, Sri Lanka, Pakistan, Bangladesh, Vietnam, and Laos—chose to abstain.

Following the launch of his second administration, President Trump began pushing for a ceasefire between Russia and Ukraine. However, he has taken a conciliatory stance toward Russia, seeking to secure interests in Ukraine's critical minerals and other resources during the negotiation process. Should the international community come to accept significant territorial changes by force—such as Russia's annexation of parts of Ukraine—it could set a dangerous precedent, encouraging similar actions by authoritarian regimes elsewhere in the Indo-Pacific.

Global Multipolarization Under Trump 2.0

While the United States under Trump seeks to dismantle or abandon its role in maintaining the existing international order, China is increasingly asserting itself as a new leader of an alternative international framework.

In the field of trade, President Trump has introduced sweeping protectionist policies. These include a 20 percent additional tariff on Chinese imports (which, including reciprocal tariffs, were raised up to 145%, but were later reduced to 30% as a result of bilateral negotiations), 25 percent tariffs on imports from Canada and Mexico, and 25 percent tariffs on steel, aluminum, and automobiles. He has also proposed a universal 10 percent tariff on all imports from any country or region. Furthermore, the US has unilaterally announced reciprocal tariffs—24 percent on Japan, 26 percent on India, and 20 percent on the EU—demanding concessions on tariffs, non-tariff barriers, and currency policies through bilateral negotiations. As a major global economic power, the U.S.' protectionist stance undercuts the multilateral free trade system centered on the WTO, straining the international economic order.

In response to heightened US trade barriers, China has accelerated outward investment, relocating domestic manufacturing facilities to ASEAN countries, Mexico, and Canada. These countries now import Chinese parts and capital goods, contributing to a broader, China-centric supply chain. Simultaneously, China has rapidly expanded exports of so-called "new productive forces"—such as electric vehicles and solar panels—particularly

to neighboring ASEAN countries and Europe, leveraging its domestic overcapacity. Through initiatives such as the BRI, the Regional Comprehensive Economic Partnership (RCEP), and bilateral free trade agreements, China is strengthening its economic ties with neighboring countries and bolstering its presence, in contrast to the US' retreat.

On global challenges—such as public health, energy and food security, inequality and distribution, and climate change—the Trump administration has retreated from providing global public goods. It withdrew from the World Health Organization (WHO), exited the Paris Agreement on climate change, and suspended activities of USAID in the Basic Human Needs (BHN) sector for developing countries. Furthermore, at the March 2024 UN General Assembly, the US indicated its rejection of the UN's 2030 Sustainable Development Goals (SDGs).

In contrast, China has promoted its Belt and Road Initiative under the banner of a "Health Silk Road," offering medical supplies (such as masks and vaccines), dispatching medical teams, and providing expertise in disease prevention to developing countries through public-private cooperation. It also launched the Green Development Initiative (GDI) under BRI to promote green infrastructure, low-carbon development, and green finance with partner countries. The GDI also aimed at accelerating the SDGs, supporting economic recovery, and promoting environmentally friendly and inclusive global development. China is actively seeking support for the GDI, particularly among countries in Central and Southeast Asia and Africa.

8.2.2 Challenges in Economic Security

Amidst various geopolitical changes, a wide range of economic security challenges have become increasingly evident in the Indo-Pacific region, as outlined below.

Fragmentation of Supply Chains

In recent years, as geopolitical shifts have progressed, the management of supply chains has become increasingly complex. In addition to preparing for natural disasters such as earthquakes and floods, it is now necessary to build reliable supply chains by visualizing and understanding them along the entire value chain while taking into account various parameters—

including both offensive and defensive perspectives of economic security, and the growing interest in shared values such as environmental protection, climate change, and respect for human rights.

In terms of economic security, as strategic competition between the US and China intensifies, major countries have strengthened their industrial policies focusing on economic security: the United States aims to enhance the resilience of supply chains for critical technologies, the EU emphasizes strategic autonomy in its industries, and China promotes a "dual circulation" strategy. At the same time, trade restrictions justified on the grounds of national security—especially between the US and China—have become increasingly diverse. In this context, there are concerns that industrial policies aimed at supply chain resilience could lead to the expansion of protectionism.

Changes in US trade policy, such as the imposition of reciprocal tariffs during the Trump administration, have forced companies from like-minded countries and the Global South—previously targeting the US market—to restructure their supply chains. Japanese companies, in particular, have become more aware of geopolitical and economic security risks associated with China. As a result, fewer companies consider China a priority investment destination, while more are turning their attention to ASEAN and India. There is also a growing recognition of the importance of increasing strategic inventories, diversifying procurement, production, and sales bases, and strengthening these functions within Japan itself.

In light of these developments, it has become a pressing issue for the Japanese government to build an economic system in the Indo-Pacific region that does not succumb to economic coercion by strengthening and diversifying supply chains.

Economic Coercion

China has used its vast market size and purchasing power, control over rare resources, and financial strength as leverage to exert economic coercion not only on developed countries but also on developing nations. For example, in 2012, when the territorial dispute over Scarborough Shoal in the South China Sea intensified, China imposed import restrictions on Philippine bananas and advised against travel to the Philippines. In 2020, in response to Australia's call for an independent investigation into the origins of

COVID-19, China imposed import restrictions on Australian coal, barley, beef, copper, and wheat.

Recently, the so-called "red lines" that trigger economic coercion have expanded. Coercive measures are now taken not only in response to issues of national sovereignty, security, and territorial claims but also in reaction to actions that damage China's international image—such as investigations into the origin of COVID-19—and the exclusion of Chinese companies like Huawei. The tools of economic coercion now span a wide range of domains, including restrictions on trade, investment, and tourism, consumer boycotts, sanctions on specific companies and individuals, diplomatic threats, restrictions on official visits, and arbitrary detentions.

In response to such economic coercion, countries are not only protesting in international forums and initiating dispute settlement procedures through the WTO but also considering countermeasures—particularly among Western nations.

Instability in the Supply of Energy and Food

Russia's invasion of Ukraine in 2022 has not only shaken the international order, particularly in Europe, but has also demonstrated how energy and food can be weaponized as tools of geopolitical coercion.

The war revealed the risks associated with economic security when energy dependence on Russia was weaponized. The result was an unprecedented global energy crisis marked by soaring energy prices, market volatility, and disruptions in energy supply—leading to inflation that has had real effects on people's daily lives.

Furthermore, with global population growth and economic development in emerging economies driving up food demand, climate change and abnormal weather events have made food supply increasingly unstable. This has intensified global concerns over food supply-demand imbalances. Compounding the issue, the Russian invasion of Ukraine has led to price hikes in grains and agricultural inputs, as well as export stagnation from key supplier countries.

Many Global South countries are particularly vulnerable when it comes to securing stable supplies of energy and food. If the war drags on, the

resulting disruption to the economic and social fabric in these countries could further destabilize the international order.

Digital Authoritarianism

Since 2017, China has promoted the "Digital Silk Road" initiative in countries along the Belt and Road, fostering cooperation in areas such as electronic payments, AI, quantum technology, big data, cloud services, and smart city development. Particularly in the Global South, China has been advancing a broad range of projects in both the consumer domain (e.g., smartphones and e-commerce) and infrastructure (e.g., undersea cables and 5G networks), through public-private collaboration.

Concerns are growing that China's efforts to shape international standards in the digital domain and expand its surveillance systems worldwide could lead to the spread of "digital authoritarianism"—a model of governance enabled by advanced surveillance technology and a centralized political regime. In some countries, Chinese-style internet governance and surveillance tools such as surveillance camera and facial recognition technology have been adopted, enabling governments to monitor and restrict internet access and social media use. While this may contribute to political stability, it also risks infringing on privacy and the free flow of information.

Especially in authoritarian regimes, internet shutdowns and network restrictions have become more common, along with cyberattacks and the spread of disinformation. In response, there is an urgent need to prevent the expansion of digital authoritarianism in the Global South and to ensure a free, fair, and secure cyberspace.

8.2.3 Opportunities in Economic Security

Amid the various economic security challenges in the Indo-Pacific region, Japan is presented with opportunities to work in close cooperation with like-minded countries to address these issues.

Rebuilding a Rules-Based International Trade Order

First, Japan can collaborate with like-minded nations to promote the reconstruction of a rules-based international trade order. Even as the global economy faces the risk of fragmentation, it is crucial to maintain a

commitment to rules and continue efforts in rule-making. Japan recognizes the effectiveness of Economic Partnership Agreements (EPAs) in enhancing supply chain resilience through trade diversification and in countering protectionism. It will actively pursue negotiations on EPAs and investment agreements with countries in the Global South that have yet to conclude such deals. In parallel, Japan will engage in WTO reform and utilize both the WTO and EPAs to correct and prevent unfair trade practices.

Moreover, Japan will play a role in addressing increasingly relevant non-trade concerns—such as economic security, environmental protection, and human rights—while ensuring that excessive measures do not distort fair trade, by participating in the development and implementation of relevant rules. For example, formulating new trade rules in areas such as digital trade, the environment, and labor under the economic frameworks of the Indo-Pacific—such as the Indo-Pacific Economic Framework for Prosperity (IPEF) and the Comprehensive and Progressive Agreement for Trans-Pacific Partnership (CPTPP)—is a critical agenda. In addition, it is essential to utilize the dispute settlement mechanisms of the WTO and Free Trade Agreements (FTAs) to restrain the use of economic coercion measures by certain countries, which threaten the rules-based international trade order.

Establishing Reliable Supply Chains

Second, Japan has the potential to build strong and reliable supply chains in partnership with like-minded countries. From the perspective of economic security, Japan will work to diversify procurement and supply sources for critical goods. In doing so, it will avoid protectionism and ensure a level playing field within regional markets by strengthening dialogue, cooperation, and policy coordination with partner nations.

The "G7 Leaders' Statement on Economic Resilience and Economic Security," released at the G7 Hiroshima Summit in May 2023, emphasized the importance of transparency, diversification, security, sustainability, and trust as essential principles for building and strengthening resilient supply chain networks with trusted partners both within and outside the G7. Japan intends to leverage like-minded frameworks such as the IPEF, the Supply Chain Resilience Initiative (SCRI), the Quad (Japan-US-Australia-India),

the CPTPP, and the Japan-EU EPA to develop resilient and reliable supply chains while taking into account economic security considerations.

Strengthening Cooperation with the Global South

Third, Japan can actively strengthen its cooperation with the Global South. From 2023 to 2037, ASEAN economies are projected to grow at an average annual rate of 7 percent, while India is expected to grow at nearly 9 percent, suggesting strong potential for high growth. Demographically, population growth in the Middle East, Africa, and Latin America is expected to continue, and the overall population of the Global South is projected to keep increasing through the year 2100.

Given these dynamics, the countries of the Global South are expected to evolve into key global production hubs and consumer markets driven by population growth and the rise of the middle class. This presents significant opportunities for joint economic growth with advanced economies. Additionally, the Global South is a vital supplier of essential resources—including food, energy, and mineral resources—making it indispensable from the perspective of economic security.

At the same time, the Global South faces vulnerabilities related to global challenges such as climate change, energy security, food security, and global health. Addressing these challenges will be key to ensuring the economic security of these nations and, by extension, the international community as a whole.

8.3 Prospects for Japan-India-EU Cooperation on Economic Security

8.3.1 Direction of Economic Diplomacy

In considering the direction of economic security cooperation among Japan, India, and the EU, it is essential to first examine how these players should engage economically with other major actors such as Western allies, the Global South, and China.

Strengthening Collaboration with the U.S. and Like-minded Countries

To promote a Free and Open Indo-Pacific (FOIP), it is necessary for Western countries—such as the US, Canada, EU, Japan, South Korea, Australia, and Taiwan—along with India and ASEAN, to cooperate in countering authoritarian states like China, Russia, and North Korea. Although the various Indo-Pacific strategies adopted by each country or region reflect diversity due to political, diplomatic, economic, and geographic differences, efforts should be made to clarify shared principles and values and to promote cooperation in areas of common interest.

Forums such as the G7, minilateral frameworks (e.g., the Quad, Japan-US-Korea, Japan-US-Australia, Japan-US-Philippines), and bilateral or regional arrangements (e.g., Japan-US, Japan-EU, Japan-India, Japan-ASEAN) should be utilized to advance concrete cooperation under the FOIP vision.

Following the launch of the second Trump administration, as the US appears to drift away from a rules-based international order, it is imperative to ensure its constructive and continued engagement in Indo-Pacific security and economic development. Through top-level diplomacy, commitments should be made to expand investment and job creation in the US, increase imports from the US, and shoulder additional defense costs. Simultaneously, frameworks involving US participation—such as the G7, Quad, IPEF, Japan-US-EU, Japan-US-Korea, and Japan-US-Philippines—should be strengthened and further substantiated.

Japan is also expected to act as a bridge among like-minded partners in the US, Europe, and Asia. For example, regional cross-cutting cooperation could include coordination between NATO and its Indo-Pacific partners (IP4: Japan, South Korea, Australia, New Zealand), the potential accession of European countries other than the UK to the CPTPP, and collaboration between IPEF and the US-EU Trade and Technology Council (TTC).

In the event that the US disengages from multilateral coordination among Japan, Europe, and Asia, middle powers should take the lead in upholding the rules-based order. Japan, India, and Europe should spearhead efforts to preserve a free and open international order, preparing for a potential return of US leadership in the post-Trump era.

Strengthening Engagement with the Global South

As the confrontation between the West and China-Russia intensifies, the Global South is increasingly asserting itself as a third major force. Among the Global South are both developing countries struggling amid growing global inequality and emerging economies that have prospered through globalization. These nations prioritize practical issues such as economic growth, trade and investment expansion, and poverty reduction over values-based agendas like democracy and human rights.

The Global South aims to increase its influence within a multipolar world and tends to engage in diplomacy based on national interests rather than ideology, often acting independently and pragmatically. Since the US turned inward under the "America First" doctrine, it has become harder for Global South countries to benefit from US security guarantees, trade access, or moral diplomacy. In contrast, authoritarian states like China and Russia are stepping in—China through the Belt and Road Initiative and economic assistance, and Russia through military support.

Engagement with the Global South aligns with the West's interests in maintaining the international order, addressing global challenges, accessing growing markets, and securing energy and resources. While there are moves among the Global South—such as BRICS expansion—to amplify their collective voice, new frameworks are needed to engage them effectively. Although platforms like the G20, APEC, and the East Asia Summit exist, their ability to achieve consensus is limited due to the participation of authoritarian actors like China and Russia.

Western countries can consider expanding outreach through frameworks such as the G7 and OECD, or mechanisms like Quad+ASEAN. Moreover, tailored, region-specific approaches are vital. For instance, Japan, India, and ASEAN could collaborate to promote engagement with regions such as South Asia and Southeast Asia, including countries like Indonesia—home to the world's largest Muslim population—and India, which sees itself as a leader of the Global South.

Cooperation must be adapted to the diverse needs of these regions. Japan has advanced top-level diplomacy through frameworks like TICAD and the Pacific Islands Leaders Meeting, but future efforts must focus more on building cooperative frameworks with countries in Central Asia, the

Middle East, and Latin America. India maintains deep ties with the Global South through initiatives like the "Voice of Global South Summit," while European countries have historical connections with regions such as the Middle East and Africa. Japan, India, and the EU should leverage their respective strengths to expand outreach to the Global South.

Competition and Cooperation with China

Although China lacks formal military alliances, it is expanding its sphere of influence along the Belt and Road Initiative, building ports that accommodate warships in countries such as Cambodia, Pakistan, and Djibouti. It continues to challenge the status quo through activities in the East and South China Seas, around Taiwan, and along the Sino-Indian border, while conducting joint exercises with like-minded states such as Russia and North Korea.

Economically, China positions itself as a leader in free trade by joining RCEP and seeking accession to the CPTPP. It remains a central node in global supply chains, both as a manufacturing hub and as a major market. However, issues such as overcapacity and coercive trade practices—including economic intimidation—are becoming more prominent. China is also pursuing the Global Development Initiative (GDI) to deepen cooperation with the Global South in areas such as green development and the digital economy, often leveraging UN platforms.

Since the mid-2010s, US-China strategic competition has intensified. China poses a significant security threat to Japan, yet remains economically intertwined with Japan through mutual dependencies in trade and supply chains. Moreover, global challenges such as climate change, energy, and environmental issues cannot be resolved without China's participation due to the scale of its population and economy.

While it is necessary to confront China in the areas of security and economic security within the Indo-Pacific, it is equally important to maintain political dialogue at the summit and ministerial levels to avoid unnecessary military escalation. At the same time, efforts should be made to identify and pursue cooperation in areas of shared interest such as the economy, people-to-people exchanges, and the Sustainable Development Goals (SDGs).

Maintaining Multilateral Cooperation through International Institutions and Forums

Geopolitical disruptions such as the COVID-19 pandemic and US-China rivalry have weakened global responses to risk and exacerbated vulnerabilities in international cooperation. New areas of global risk—including pandemics, digital technologies, and biotechnology—have emerged alongside existing challenges like climate change.

Ideally, these challenges should be addressed through multilateral international cooperation, but the current environment shows growing frictions. Dysfunction in the WTO, the US withdrawal from the Paris Agreement and WHO, and other such developments highlight the fragility of the international cooperative framework.

Middle powers such as Japan and European countries should lead efforts to improve governance in international institutions such as the WTO and WHO. Furthermore, to achieve the SDGs and strengthen infrastructure and connectivity, it is essential to build international financial support mechanisms that leverage multilateral development banks (MDBs), sovereign wealth funds, policy banks, and private capital.

8.3.2 Addressing Specific Policy Challenges

Expansion and Deepening of Regional Economic Integration

Even if the United States expands its protectionist policies, countries with shared values must take the lead in maintaining and strengthening a free and fair international economic order. To this end, it is essential to broaden and deepen the scope of bilateral FTAs and mega-FTAs to address new policy issues such as supply chain resilience, digital economy, environment, and labor. In addition, efforts should be made to explore the possibility of region-crossing mega-FTAs and new economic frameworks covering both the Indo-Pacific and Europe.

- Supporting the formulation of an action plan for ASEAN economic integration in line with the ASEAN Economic Community Vision 2045

- Enhancing the implementation of the RCEP Agreement, expanding its scope (supply chains, environment, labor, etc.), and broadening membership (e.g., new members from South-West Asia)
- Resuming and concluding negotiations at an early stage for a Japan-China-Korea FTA that adds higher value compared to RCEP in terms of market access and rule-making
- Expanding CPTPP membership (e.g., ASEAN, Latin American countries) and deepening its scope (customs procedures, digital economy, countermeasures against economic coercion, supply chain resilience, etc.)
- Formulating mid- to long-term scenarios for constructing a region-crossing FTA involving India and the EU, based on frameworks such as CPTPP
- Establishing rules in the trade field (digital, environment, labor, etc.) through IPEF, and creating new rules in areas such as supply chains via coordination between IPEF and the US-EU Trade and Technology Council (TTC)
- Accelerating FTA negotiations with Global South countries (e.g., FTAs between Japan and Bangladesh, GCC, Turkey, Colombia, etc.)

Addressing Emerging Trade Issues such as Digital Economy

To promote economic and social transformation through innovative technologies such as digital and green technologies, efforts must be made to develop related rules, establish international standards, and implement them in society. Additionally, to prevent the spread of state-controlled digital authoritarianism utilizing digital technologies, efforts must be made to strengthen safe and resilient infrastructure, cybersecurity, and governance of trustworthy AI.

- Promoting free and reliable data flows (DFFT) through WTO e-commerce negotiations (JSI) and mega-FTAs such as CPTPP
- Creating new international standards and norms in high-tech manufacturing, digital, energy, and environmental sectors

- Promoting business models in emerging countries that address social issues through digital technologies, enhancing supply chains, and improving digital connectivity
- Developing secure and resilient digital infrastructure, including the promotion of Open RAN, installation and maintenance of submarine cables, and development of data centers
- Creating a free and open internet environment that ensures safety and trust, including cybersecurity in cyberspace
- Promoting trustworthy AI based on democratic values through frameworks such as the G7 Hiroshima AI Process, and enhancing interoperability among different national and regional AI governance frameworks

Strengthening Supply Chain Resilience

To prepare for geopolitical changes such as US-China strategic competition and pandemics, efforts should be made under frameworks such as the G7, IPEF, and Quad to strengthen supply chains for critical goods such as semiconductors, critical minerals, batteries, and medical supplies among like-minded countries. These efforts should also aim to include Global South countries that supply or produce key raw materials in these supply chains.

- Formulating appropriate regulations and creating international rules related to economic security in sensitive areas such as semiconductors, 5G, and digital platforms
- Identifying key sectors and critical goods through the IPEF Supply Chain Agreement, developing concrete action plans, and establishing crisis response networks
- Promoting supply chain resilience for vaccines, semiconductors, and clean energy through Quad
- Minimizing trade restrictions on medical and essential goods and facilitating trade in goods and services within FTAs such as CPTPP and RCEP
- Expanding the G7 "Principles for Resilient and Reliable Supply Chains" to the Global South

Countering Economic Coercion

In response to economic coercion by countries such as China—through restrictions on trade, investment, tourism, boycotts, and sanctions against specific companies or individuals—like-minded countries, mainly from the democratic world, should collaborate to implement support measures for affected countries and countermeasures against coercive states. Assistance should also be extended to Global South countries vulnerable to such coercion (e.g., parts of Southeast Asia, Pacific Islands, Central America).

- Protesting economic coercion in high-level forums such as G7 and OECD ministerial and summit meetings, and promoting dispute settlement procedures at the WTO
- Supporting affected countries in diversifying export and import destinations, procurement sources, and financial resources, and considering punitive countermeasures
- Enhancing early warning, information sharing, deterrence, and coordinated support for victim countries through the G7's "Coordination Platform on Economic Coercion"
- During the general review of CPTPP, positioning the agreement as a tool to counter economic coercion and exploring ways to further complement the multilateral trading system centered on the WTO

Enhancing Connectivity

Japan has traditionally focused on strengthening connectivity along major economic corridors in ASEAN and India. Moving forward, it should promote cross-regional connectivity linking ASEAN with the Pacific Islands, South-West Asia, the Middle East, Europe, and Africa in cooperation with like-minded countries. In parallel, it should promote principles for high-quality infrastructure investment and strengthen blended finance mechanisms to meet massive infrastructure financing needs.

- Promoting infrastructure development under sub-regional cooperation frameworks in ASEAN, such as the Mekong region and the BIMP-EAGA island areas
- Launching the "Indo-Pacific Economic Corridor" linking ASEAN to India, the Middle East, Europe, and Africa, and supporting

connectivity through Japan's high-quality infrastructure investments, G7's Partnership for Global Infrastructure Investment, and EU's Global Gateway initiative

- Advancing cross-regional connectivity through collaboration among regional mechanisms such as ASEAN, PIF, IORA, BIMSTEC, GCC, and the African Union
- Promoting advanced models for smart cities in ASEAN and India
- Developing rules for high-quality infrastructure investment in coordination with OECD, APEC, and G20
- Advancing specific infrastructure projects through frameworks such as the Blue Dot Network among the US, Australia, and Japan
- Implementing PPP infrastructure projects using blended finance, combining ODA, international financial institutions, government-affiliated financial institutions, and private capital

Stable Supply of Energy and Food

While keeping in mind the global effort—both in developed and developing countries—to achieve carbon neutrality, efforts should focus on organizing energy supply chains and developing related infrastructure with a focus on low-emission energy sources such as LNG, renewable energy, and hydrogen.

- Developing related infrastructure, capacity-building, and business matching to utilize LNG from the US and other countries
- Building power grids in ASEAN and promoting cross-border renewable energy trade
- Establishing supply chains and infrastructure for hydrogen, and promoting social implementation of hydrogen-based systems

To address food supply instability caused by natural disasters, infectious diseases, and international conflicts, efforts should be made to enhance food production capacity in Global South countries and strengthen mutual food support systems during emergencies.

- Building a resilient and sustainable agricultural and food system based on "Japan's Strategy for Sustainable Food Systems (Strategy "MIDORI")"

- Providing emergency food assistance to countries facing natural disasters, pandemics, or international conflicts
- Supporting emergency rice reserves and information sharing on food supply and demand through APTERR (ASEAN+3 Emergency Rice Reserve) and AFSIS (ASEAN Food Security Information System)
- Promoting agricultural training and technical guidance using Japanese technologies and innovations.

9

Exploring Common Ground in a World in Turmoil

Ujal Singh Bhatia

9.1 INTRODUCTION

In recent years, several developments have combined to challenge the status quo of the post WWII order—the rise of China as an economic superpower based on its unique model of an authoritarian polity and state driven capitalism; the churn in the domestic politics of the United States leading it to steadily withdraw from global leadership in several areas; the emergence of climate change as an existential threat to the world; the rapid development and deployment of new technologies which are upending the nature of economic activity, communication, security and interdependence; and the looming threat of supply chain disruptions due to pandemics, climate change and geopolitical developments. These developments have brought economic security center stage in policy making around the world.

The disruptions created by the Trump administration through various measures and pronouncements on strategic and economic issues have added a new dimension and urgency to the drive for economic security. While the Trump administration has hastened the process of US disengagement from its global commitments and has increasingly focused on domestic priorities, it has to be understood that such policies are a part of a policy continuum in the US over more than a decade. Future US administrations are unlikely to reverse this trend significantly. Hence, the rest of the world would do

well to internalize the fact of US retrenchment into their strategies for dealing with a world in transition.

The effects of these developments can be felt in several spheres, political, economic and social—the rightward shift in the politics of many countries; the emergence of migration as a deeply contentious issue; the increasing incidence of climate change events and their impact on migration patterns, food security and supply chain volatility; the fracturing of the Trans-Atlantic alliance and its consequences for European security; the so far ambivalent approach of the Trump administration to Asian security; the widespread appeal of nationalist, often protectionist, economic policies and the impact of on-shoring and "friend-shoring' policies on global value chains.

From an economic perspective, the impact of these developments constitutes a change of paradigm—from the neo-liberal consensus of laissez-faire economic openness with a de-emphasized role for the state, to one which views strategic and economic objectives as woven into each other and therefore envisages a more active role for the state in addressing market failures and directing trade and investment flows in a manner which addresses both objectives. Economic security is a central theme in this new paradigm.

The strategic and economic perspectives of Japan, India and the EU (hereafter JIEU) are increasingly shaped by these developments. India is increasingly concerned with the border stand-off with China and is uncomfortable with its trade dependence on China. It is pursuing strategies to build partnerships with friendly countries as well as shoring up manufacturing in sectors it considers strategic. Its "Make in India" policies as well as active pursuit of FTAs with various trading partners demonstrate a new urgency in pursuing an economic policy approach that reflects the new global realities and prioritizes economic security. Its energy dependence and the increasing threats of climate change have imparted a new urgency and rationale for pursuing green energy policies.

In Europe, the Draghi Report on EU Competitiveness describes a cycle of "low industrial dynamism, low innovation, low investment, and low productivity growth" across the EU's 27 member-states and cautions that the business-as-usual approach can leave the EU struggling to keep pace with the US and China. It makes several recommendations for restoring

competitiveness across various sectors. The recommendations envisage a more active role for the state in enhancing competitiveness and economic security.[1] Europe's new security challenges are forcing it to divert resources to ensure enhanced defense preparedness.

Japan has been pursuing the China Plus One strategy since 2005 and in 2022, introduced the Economic Security Promotion Act to further pursue derisking from China and develop more resilient supply chains.[2]

The pursuit of economic security and competitiveness strategies by the three has also led them to focus on key strategic areas like semi-conductors, critical minerals and green technologies. These are clearly areas of synergy where joint approaches could be mutually beneficial. On the flip side, the current turmoil in the global economy also presents opportunities for cooperation which can balance geopolitical considerations with sound economics. A multi-sectoral approach based on the complementarities between the three partners can lead to mutually advantageous outcomes.

9.2 Opportunities and Challenges

The evolving global situation presents critical challenges to JIEU which require revisiting several old assumptions. There are a number of areas where the new challenges can be converted to opportunities for enhanced cooperation. These areas include:

- Defense Cooperation
- Trade and Investment
- Green Energy
- Technology
- Regulatory Harmonization
- Multilateral Institutions.

9.2.1 Defense Cooperation

Europe is quickly coming to terms with the possible withdrawal of the US from its role as NATO's primary security guarantor. Earlier this year, European leaders endorsed the "ReArm Europe Plan/Readiness 2030"[3] aiming to mobilize around 800 billion euros over four years to enhance

defense capabilities. Germany has amended its constitutional debt rules, enabling the relaxation of borrowing restrictions to allow massive investments in defense, infrastructure and climate initiatives. It has established a 500-billion-euro Infrastructure Fund which includes 100 billion euros for climate mitigation projects.[4]

Japan too is engaged in a significant strengthening of its defense capabilities under its National Security Strategy of 2022.[5] It is committed to increase its defense spending to 2 percent of GDP by 2027.

India is focusing on significantly enhancing its defense capabilities due to strategic imperatives and regional security concerns while pursuing its 'Atmanirbharta' initiative.[6] It is collaborating with a number of partners like the United States, France, Japan and the United Kingdom in a range of strategic initiatives.

The new security challenges of a changing world order also present new opportunities for partnerships between JIEU based on synergies, through collaborations and joint initiatives in a number of areas related to defense production and preparedness. The massive spending outlays likely to be in play in the next few years provide an opportunity for close collaborations between the JIEU through investments, technology exchanges, joint production and dedicated supply chains.

9.2.2 Trade and Investment

Japan and India

Japan and India signed a Comprehensive Economic Partnership Agreement in 2011 aimed at eliminating tariffs on over 90 percent of traded goods over a decade, promoting trade in services, facilitating investment, and strengthening economic cooperation between the two countries. The agreement has made modest progress in achieving its objectives. Bilateral trade in 2022-23 was USD21.96 billion against USD10 billion in 2011, with a substantial trade deficit for India. While Japan has increased its exports of high value goods to India, sectors of export interest for India, like generic medicines have found it difficult to penetrate the Japanese markets due to regulatory barriers.

Japan has become India's fifth-largest investor, with cumulative foreign direct investment (FDI) of USD38.3 billion from 2000 to 2022. In 2022, Japan pledged an additional USD42 billion over five years, signaling confidence in the partnership.[7] Projects like the Delhi Mumbai Industrial Corridor, supported by Japanese official development assistance (ODA), have progressed, enhancing India's infrastructure. However, several challenges such as regulatory hurdles and infrastructure bottlenecks have slowed the pace of investment utilization, limiting the full realization of the CEPA's potential in this area.

Other areas like cooperation in services, movement of persons, and technology transfer have made limited progress. India's IT and service sectors have not penetrated Japan as hoped, partly due to language barriers and Japan's stringent market practices. The movement of professionals (e.g., nurses, IT workers) has seen some progress, but volumes remain low. Japan's technological expertise has supported Indian urban development and manufacturing, yet the anticipated "win-win" synergy—combining India's young workforce and market with Japan's capital and technology—has not fully materialized at scale.

In brief, while trade and investment between the two countries has been increasing steadily, the progress is sub-optimal in the context of the strategic relationship between the two. The clear political will for stronger ties has not translated into concrete initiatives to address the obstacles that prevent the full blossoming of the economic relationship. The CEPA requires a comprehensive review to enhance cooperation especially in new areas like digital trade, renewable energy and services, as well as in technology areas like semiconductors and green energy.

India and the European Union

The economic relationship between India and the EU is substantially below its potential. In 2023, bilateral trade was 124 billion euros, accounting for around 12 percent of India's trade. Trade in Services accounted for almost half of this. The EU's investment stock in India was 108.3 billion euros, substantially lower than its stock in China (247.5 billion) and Brazil (293.4 billion).[8]

A comprehensive FTA between the two partners has been under negotiation since 2007. Geopolitical factors like tensions with China and the tariff threats from the US have added a new urgency to the negotiations, and there is a determination to complete the negotiations in 2025, but the past does not inspire much confidence. Overall, while there is a new realization of strategic synergies between the two sides, it remains to be seen if this can be converted into substantial outcomes.[9]

Trilateral Cooperation

Once we accept that the pursuit of economic security requires a joint consideration of strategic issues with trade and investment, issues like de-risking from China, the breakdown of the Trans-Atlantic alliance, the increased unpredictability of the US in economic matters, the vacuum created by the US' withdrawal from global leadership, etc., need to be addressed through broader alliances than bilateral FTAs. The JIEU, acting together, have the capacity to address these challenges effectively through a formal institutional mechanism. A possible trilateral FTA between them could provide such a mechanism.

Such an FTA would have far-reaching implications across economic and geopolitical dimensions and enhance the effectiveness of the JIEU in addressing challenges of global governance. While such a proposal would be speculative at this stage, the existing mechanisms for cooperation between them can be used for an assessment of the implications. These include the EU-Japan Economic Partnership Agreement (EPA) in force since 2019, the ongoing EU-India FTA talks aiming for conclusion by the end of 2025, and the Comprehensive Economic Partnership Agreement (CEPA) between Japan and India which has been operational since 2011.

Some of the key implications:

Economic Implications

1. *Trade Expansion and Market Access*
    - JIEU collectively represent a massive market—over 2 billion people, over a quarter of global GDP and over a third of global trade. An FTA would reduce tariffs and non-tariff barriers, boosting trade in goods and services.

- Trade in services, a growing sector, would likely surge. India's digital and IT services (nearly €60 billion in trade with the EU in 2023) and Japan's high-tech services could benefit from streamlined regulations and mutual recognition of standards.

2. *Supply Chain Resilience*
   - A trilateral FTA could develop integrated supply chains, reducing reliance on other countries like China. Japan's advanced manufacturing and technologies, India's raw materials, manufacturing potential and IT skills, and the EU's technological accomplishments and financial resources could together create a robust economic bloc which could realign existing supply chains and develop new ones.
   - Key sectors like semiconductors, clean energy tech, and pharmaceuticals—highlighted in EU-India and EU-Japan talks—could see collaborative production, lowering costs and enhancing global competitiveness.

3. *Challenges in Harmonization*
   - Reconciling differing priorities would be complex. While there are large complementarities between the three parties, there are also likely to be significant differences in areas like intellectual property, agriculture, automobiles, pharmaceuticals, etc.

Geopolitical Implications

1. *Countering Protectionism and China's Influence*
   - The trilateral FTA would have important geopolitical implications. By countering the trend towards protectionism and tariff wars, it would provide a strong commitment to open markets. It could also challenge China's dominance in Indo-Pacific trade, especially since India opted out of the Regional Comprehensive Economic Partnership (RCEP) in 2019, partly to avoid deeper reliance on China.

- Strategically, this aligns with the EU's Indo-Pacific ambitions, Japan's Free and Open Indo-Pacific vision, and India's multi-alignment policy, strengthening a democratic economic bloc committed to free and fair trade.

2. *Global Trade Leadership*
   - The trio could shape global trade rules, promoting high standards in areas like environment, digital trade and the WTO's dispute settlement. This could pressure other powers (e.g., the US, China) to align with these norms, enhancing their soft power.

3. *Regional Stability*
   - The enhanced economic ties through the trilateral FTA could bolster cooperation on security and technology, providing a new dynamic to security of the Indo-Pacific. Japan and the EU could support India's role as a counterweight to China, while India would benefit from European and Japanese expertise and capital in defense, infrastructure, technology and manufacturing.

4. *Digital and Technological Collaboration*
   - Cooperation in AI, semiconductors, and clean tech could accelerate innovation, benefiting societies broadly. India's IT prowess, Japan's robotics, and the EU's R&D could create a synergy, though data protection differences (e.g., EU's GDPR vs. India's evolving framework) would need resolution.

In brief, a trilateral FTA between the EU, India, and Japan could create one of the world's largest economic zones, driving trade, investment, and innovation while enhancing the trio's geopolitical clout. It would strengthen supply chains, counter protectionism, and promote sustainable growth, though success hinges on overcoming significant negotiation hurdles and balancing domestic interests. While this discussion is at present speculative, such an agreement could redefine global economic dynamics in the 21st century, leveraging the complementary strengths of these three powers.

9.2.3 Green Energy

The JIEU share a common understanding of the climate change challenges and the steps required to address them. The potential therefore, of cooperative approaches in promoting innovation and investments in sustainable development strategies and developing supply chains is significant. The three economies also exhibit strong complementarities—Japan's technological strengths, India's skills and large renewable energy potential, and the EU's regulatory frameworks and capital resources. These complementarities provide new opportunities for collaborations in areas like renewable energy and hydrogen.

Renewable Energy

Solar and Wind: India has an ambitious target of new RE capacity of 500 GW by 2030.[10] Japan has expertise in advanced solar PV and offshore wind technologies. The EU is also a leader in wind energy. An example of possible trilateral projects would be large offshore wind farms in India using Japan's technology and EU's funding.

Green Hydrogen: India's National Hydrogen Mission targets 5 million ton per annum capacity by 2030.[11] The EU has a target of 40 GW of renewable hydrogen electrolyzers by 2030.[12] Japan too has a "Hydrogen Society" vision under which it has set ambitious goals to promote hydrogen production, storage, transportation, and consumption across various sectors, including transportation, industry, and power generation.[13] A trilateral partnership could involve India producing hydrogen from renewable energy, Japan focusing on storage and transportation technologies, and the EU providing regulatory frameworks, markets and investment.

Mechanisms for Collaboration

The mechanisms for collaboration would involve building on existing bilateral frameworks like the EU-India Clean Energy and Climate Partnership (2016), the EU-Japan Green Alliance (2021) and the India-Japan Clean Energy Partnership (2022). A trilateral partnership could share best practices, harmonize regulatory standards and set joint climate goals.

Funding

Such collaborations could also develop joint funding initiatives through the EU's Global Gateway and European Investment Bank, Japan's Asia Energy Transition Initiative and India's sovereign green bonds.

9.2.4 Technology Cooperation

Technology cooperation among the JIEU can significantly enhance innovation, economic growth, and address global challenges. Some of the areas with the best potential for such collaborations are digital technology and cybersecurity, renewable energy, healthcare and biotechnology, space technology, robotics and automation and sustainable agriculture.

Collaborations in such areas can help the JIEU to leverage their respective strengths, drive innovation, and create solutions to pressing global issues while fostering deeper economic ties and collaboration.

9.2.5 Regulatory Harmonization

Trilateral cooperation between the JIEU in regulatory harmonization presents significant opportunities for fostering trade, enhancing investment, and addressing global challenges. Some key areas in which such cooperation could be mutually beneficial are trade facilitation, standards and quality assurance, environmental regulations, regulatory frameworks for the digital economy in areas like cyber security, e-commerce and data protection, and health standards.

By pursuing these areas of cooperation, the JIEU can not only strengthen their bilateral and multilateral relationships but also contribute to creating a more conducive environment for economic growth and sustainable development on a global scale.

9.2.6 Multilateral Institutions

The JIEU can collaborate effectively to improve the functioning of multilateral institutions by leveraging their unique strengths and shared values. For this, they can work together in several areas:

1. **Strengthening Existing Institutions**: By working together to reform and enhance the effectiveness of established multilateral institutions like the United Nations (UN), World Trade Organization (WTO),

and the World Health Organization (WHO), Japan, India, and the EU can promote policies that reflect contemporary global realities and address pressing challenges such as climate change, health crises, and economic inequalities. With the withdrawal of the United States, the WHO is facing serious difficulties in discharging its mandate. The WTO is also in crisis because of the disablement of its Dispute Settlement System and the inability of its members to agree on a new mandate for negotiations that reflects new global priorities.

2. **Developing Common Policy Frameworks**: The trio can work together to create common policy positions on global issues such as climate change, data transfers, and inequalities. By presenting a united front in multilateral negotiations, they can increase their influence and drive consensus.
3. **Addressing Global Challenges:** The JIEU can collaborate to tackle transnational issues such as terrorism, pandemics, and climate change. By jointly addressing these challenges through multilateral institutions, they can provide leadership and generate a coordinated response.
4. **Digital Governance:** As the digital transformation evolves, the JIEU can collaborate in shaping international norms and standards for digital governance, including data protection, cybersecurity, and digital trade, ensuring that these considerations are integrated into global governance frameworks.

Through these avenues of collaboration, the JIEU can significantly contribute to strengthening global governance, fostering stability, and ensuring that multilateral institutions effectively address contemporary global challenges.

9.3 Conclusion

The post WWII order established by the United States and its allies is breaking down as the world confronts new challenges and discovers new priorities. Economic security is now an important policy goal for most countries. In the emerging multi-polar world, it is natural that new alliances are created to enhance economic security by building on synergies and complementarities between alliance partners.

Japan, India and the European Union are natural partners in this quest. Their interests, competences and values coincide to a remarkable degree, and should enable a strong partnership to be created which will not only work to their mutual advantage, but also enable them to fill the leadership vacuum which is emerging due to US retrenchment. It remains to be seen however, if their leaders are able to seize the opportunity.

ENDNOTES

1 European Commission, "The future of European competitiveness: Report by Mario Draghi," September 2024, https://commission.europa.eu/topics/eu-competitiveness/draghi-report_en.

2 IISS, "Japan's Economic Security Promotion Act and the implications for businesses," December 2022, https://www.iiss.org/publications/strategic-comments/2022/japans-economic-security-promotion-act-and-the-implications-for-businesses/.

3 European Commission, "Commission unveils the White Paper for European Defence and the ReArm Europe Plan/Readiness 2030," March 19, 2025, https://ec.europa.eu/commission/presscorner/detail/en/ip_25_793.

4 "German parliament passes debt rule reform, half-trillion euro fund," *Reuters*, March 19, 2025, https://www.reuters.com/world/europe/german-parliament-passes-debt-rule-reform-half-trillion-euro-fund-2025-03-18/.

5 "National Security Strategy of Japan," December 2022, https://www.cas.go.jp/jp/siryou/221216anzenhoshou/nss-e.pdf.

6 IBEF, "Self-reliant India (Atmanirbhar Bharat Abhiyan)," n.d., https://www.ibef.org/government-schemes/self-reliant-india-aatm-nirbhar-bharat-abhiyan.

7 K. R. Srivats, "India urges Japanese businesses to expand investments and boost 'Make in India' participation," The Hindu Business Line, February 21, 2025, https://www.thehindubusinessline.com/economy/india-urges-japanese-businesses-to-expand-investments-and-boost-make-in-india-participation/article69247617.ece.

8 European Commission, "EU trade by country/region," n.d., https://ec.europa.eu/trade/policy/countries-and-regions/.

9 Jeet Kar, "What to know about an EU-India free trade agreement," World Economic Forum, March 7, 2025, https://www.weforum.org/stories/2025/03/eu-india-free-trade-agreement/

10 Ministry of Power, "500GW Nonfossil Fuel Target," Government of India, September 18, 2023, https://powermin.gov.in/en/content/500gw-nonfossil-fuel-target.

11 "National Green Hydrogen Mission," National Portal of India, January 2022, https://www.india.gov.in/spotlight/national-green-hydrogen-mission.

12 "EU Hydrogen Strategy under the EU Green Deal," European Hydrogen Observatory, September 11, 2023, https://observatory.clean-hydrogen.europa.eu/eu-policy/eu-hydrogen-strategy-under-eu-green-deal.

13 Julien Bocobza, Masahiro Tanabe, and Saori Takahashi, "Japan's Hydrogen Society Promotion Act comes into effect," White & Case LLP, October 30 2024, https://www.whitecase.com/insight-alert/japans-hydrogen-society-promotion-act-comes-effect.

10

Reclaiming Economic Security in a Fragmenting Order

Jagannath Panda

10.1 Introduction: A Fractured Economic Order

The return of Donald Trump to the presidency has reignited anxieties about the future of global economic governance. Once dismissed as a temporary deviation from liberal international norms, Trump's unilateralism and protectionist nationalism have now crystallized into a structural force within US foreign policy. As the world grapples with supply chain instability, rising interest rates, and deepening geopolitical rivalries, the notion of 'economic security' has re-emerged as both a national imperative and a global concern. In this uncertain environment, the trilateral convergence of India, Japan, and the European Union (EU) offers a strategic and normative pathway to preserve and reimagine a rules-based international order.

The re-election of Donald Trump to the presidency of the United States has reignited deep anxieties about the future of global economic governance, and the outlook for the global economy has arguably never been more uncertain. Trump's tariffs and America First policies, which dominated both his first presidency and now his return in Trump 2.0, have upended the established norms of economic multilateralism. They underscore a broader trend of institutional skepticism and protectionist economic nationalism.

Trump's second term, by emphasizing unilateral tariffs and transactional diplomacy, has destabilized the fragile pillars of the liberal international

order (LIO) of which economic security has been a foundational pillar, and is compelling other actors to recalibrate their strategies. The LIO, supported by institutions like the World Trade Organisation (WTO) and International Monetary Fund (IMF), was built on principles of "a multifaceted and sprawling international order" that focused on openness, multilateral institutions, security cooperation, and democratic solidarity."[1] However, as authoritarian states like China and Russia further challenge these norms, and the US retreats under Trump, economic security becomes both a national and multilateral concern.

Hence, what once seemed like an anomaly during Trump's first tenure has now re-emerged as a structural force within American foreign policy. The global economy is already confronting persistent challenges, such as high inflation, increasing interest rates, and geopolitical tensions, all of which could contribute to greater economic instability. Against this backdrop, economic security has re-emerged as a critical conceptual and policy lens. Traditionally relegated to niche areas of national industry protection, it now encompasses complex interdependencies in supply chains, digital infrastructure, regulatory autonomy, and critical technologies. However, as G. John Ikenberry has long argued: the LIO 'is not really an American order or even a Western order', but 'an international order with deep and encompassing economic and political rules and institutions that are both durable and functional'.[2]

In this context, the trilateral convergence of India, Japan, and the EU presents a timely and normatively grounded opportunity to reaffirm the values of openness, cooperation, and rule-based economic engagement. What should be the response of the European Union and like-minded nations like Japan and India? Could the EU, Japan, and India forge a common perspective on economic security? Can such measures mitigate geopolitical risks and propel regional stability? At such a critical juncture, the potential of the proposed India-Japan-EU trilateral cannot be understated, both to boost global economic security and support the rules-based order.

10.2 Redefining Economic Security: Trump 2.0 As A Disruptive Constant

When Donald Trump first assumed the presidency in 2016, global concerns mounted over the potential disruption he posed to the established LIO.[3] His 'America First' approach starkly contrasted with the principles of liberal internationalism that had long underpinned US leadership in global affairs. Trump's overt embrace of nationalism presented a direct challenge to the LIO, raising questions about the durability of America's traditional role as its principal architect and guarantor.

This ideological shift was explicitly articulated in the 2017 National Security Strategy (NSS), which framed US foreign policy through a nationalist lens.[4] The document promoted a retrospective vision of national renewal—one emphasizing reduced government intervention, deregulated markets, and lower taxes—as a pathway to restoring American strength. Such rhetoric and strategic repositioning signaled a withdrawal from multilateral commitments and a growing skepticism toward global governance.

Despite these trends, the period also saw the formation and strengthening of various regional partnerships, including the Quadrilateral Security Dialogue (Quad) and the informal SQUAD alliances, suggesting that elements of multilateralism continued to endure—even if not always under direct US leadership.

Trump's confrontational stance on international trade further strained the liberal economic order. In 2017, he withdrew the United States from the Trans-Pacific Partnership (TPP), labeling it a "potential disaster" for American interests.[5] This decision reflected a broader protectionist agenda that prioritized domestic manufacturing over international cooperation. Just days into his second term, Trump again rattled global markets by imposing tariffs on some of the US' closest allies.[6] Although these measures were justified as efforts to revitalize domestic industry, they marked a significant departure from America's longstanding advocacy for free trade.[7] Given the central role of the US in global commerce, such unilateral actions undermined the liberal economic system and triggered retaliatory measures, escalating tensions and casting a shadow over global economic security.

Trump's second term has already produced disruptive consequences for US allies and partners, as opposed to just rival states. For instance, his administration's tariffs on steel and aluminum imports to all countries including partner states like Japan, India and the EU,[8] the attempts to dismantle the WTO's dispute settlement mechanism,[9] and the renewed focus on bilateral deals over multilateral agreements reflect a deepening of unilateral tendencies. These actions are not merely economic decisions; they are strategic maneuvers that signal a reconfiguration of global alignments. Trump's consolidation of political capital—through congressional majorities and sustained electoral support—renders this approach more enduring and less amenable to negotiation. The implication is clear: partners who once relied on US consistency must now develop alternative institutional and normative alignments to safeguard their interests.

It is here that it becomes important to remember that the liberal international order is not inherently American; rather, it is a shared normative architecture many a times threatened more so by developments in the West itself.[10] If the US retreats from its stewardship, other actors must step in. At this juncture, economic security becomes the centerpiece—not as a Cold War relic but as a 21st-century framework encompassing supply chains, technological standards, digital governance, and critical infrastructure.

The notion of economic security has transformed in scope and urgency. Earlier conceptualizations, particularly those during the Cold War, focused on securing access to natural resources, safeguarding domestic industries, and ensuring uninterrupted trade routes. Today, however, economic security reflects a broader architecture of resilience, encompassing technological standards, strategic autonomy, and critical infrastructure protection. It is both a reactive mechanism against coercion and a proactive strategy to shape future governance norms.

The disruption caused by Trump's renewed tariffs, particularly the astonishing escalation of US duties on Chinese goods, represents a paradigmatic moment. China's retaliatory tariffs have intensified the geo-economic fragmentation of global trade.[11] These policies do not exist in a vacuum. Rather, they represent a deliberate unraveling of decades of multilateral consensus. The ramifications are global, with the Organisation for Economic Co-operation and Development (OECD) warning of enduring

inflationary pressures, fractured growth, and institutional fatigue. The OECD's reports have commented that Trump's trade wars are "splintering the global economy and unpicking progress made to reboot growth and tackle inflation."[12] The return of tariff wars not just exacerbates the existing U.S.-China tech and trade rivalry, it also has a cascading effect across Asia, Europe and beyond.[13] The uncertainty was highlighted even by the US Federal Reserve President John Williams, predicting slower growth this year due to numerous unknowns regarding the effects of new trade, fiscal, and immigration policies.[14] Meanwhile, reported job losses could increase exponentially across the globe as China diverts exports from the US to countries like Indonesia and Mexico.[15]

As Trump waits for China to back down, China's embassy is showing posturing by reposting a line from a government statement, that "If war is what the U.S. wants, be it a tariff war, a trade war, or any other type of war, we're ready to fight till the end" therein showing no immediate diplomatic respite from the tariff war.[16] Notably, this alignment is not occurring in a vacuum. It coincides with China's aggressive positioning across domains—from the South China Sea to semiconductor nationalism—and its coordination with Russia and Iran in military exercises.

Empowered by a clear popular mandate and consolidated legislative control, Trump's administration is positioned to drive substantial policy changes with far-reaching implications for global security and the international economy. At the core of his agenda remains the 'America First' doctrine, which continues to serve as the guiding principle behind both domestic and foreign policy decisions.[17] Should these actions challenge or dismantle elements of the liberal international order, such outcomes appear to be accepted—if not intentional—within the framework of his administration's ideological priorities.

Thus, economic volatility intersects with a deepening political vacuum in multilateral governance. The Trump administration's disengagement from pivotal institutions—the TPP, the World Health Organization (WHO), the United Nations Human Rights Council (UNHRC), and the Paris Climate Agreement—signals not merely a strategic recalibration but a normative abdication.[18] The liberal international order, though never uncontested, was undergirded by American institutional stewardship. Its architecture was built

on the shared understanding that economic openness, rule of law, and institutional trust would foster global prosperity. In retreating from these commitments, the United States has created both a legitimacy crisis and a leadership void.

The selective application of liberal norms—exemplified by the contrasting responses to the Russia-Ukraine war[19] and the ongoing crisis in Gaza—has raised questions about the credibility and equity of this order. The perceived inconsistency in the West's moral posturing has led many actors, particularly in the Global South, to view the LIO as an instrument of power rather than a vehicle of justice. These contradictions have provided fertile ground for authoritarian regimes like China and Russia to challenge liberal norms and advance their own models of governance, development, and regional influence. As a rising power, China has undoubtedly achieved significant economic growth and has lifted an estimated 850 million people (in Chinese estimation) out of poverty.[20] However, the rise of China, along with other authoritarian nations like Russia, has come at a considerable cost, contributing to "the global normalization of authoritarian values."[21] Moscow's framing of BRICS as a counterweight to Western multilateral institutions[22] and China's expansive Belt and Road Initiative (BRI) exemplify these alternative visions.

At the 2019 Shangri-La Dialogue in Singapore, the Acting US Secretary of Defense, Patrick Shanahan, warned that the rules-based liberal international order was under threat. He spoke of "actors" that "undermine the system by using indirect, incremental actions and rhetorical devices to exploit others economically and diplomatically, and coerce them militarily."[23] His reference to China was not difficult to guess. Then, at the Munich Security Conference in 2025, US Vice President J.D. Vance attacked liberal internationalism, expressing support for far-right parties across Europe, to a shocked and speechless audience.[24]

This is where India, Japan, and the EU—three democratic, normative actors—converge. Their stakes are decidedly similar: resisting economic coercion, reducing strategic dependencies, and ensuring resilient supply chains. Furthermore, for the EU, Japan, and India, these geopolitical developments present both challenges and imperatives. The EU, grappling with internal economic uncertainties, remains a normative power invested

in rules-based multilateralism. Japan, while traditionally reliant on U.S. security guarantees, has demonstrated increasing strategic autonomy, particularly in its economic engagements. India, with its multi-aligned foreign policy and aspiration for global leadership, stands at a critical juncture. Collectively, these actors possess the capacity to craft an alternative vision of economic order—one that preserves the core tenets of liberalism while adapting to the exigencies of a multipolar world.

10.3 Trilateral Foundations: Normative Convergence and Strategic Symmetry in a Trumpian World

This current climate creates a compelling rationale for the India-Japan-EU trilateral. The strategic logic of this partnership lies in the convergence of values and the complementarity of capabilities.[25] India offers a rapidly expanding economy, a vibrant digital ecosystem, and geostrategic heft. Japan brings technological prowess, institutional maturity, and a commitment to high-quality infrastructure. The EU contributes regulatory sophistication, development finance, and a deep commitment to democratic governance. Together, they can shape the contours of a new economic security framework that is inclusive, resilient, and normatively robust.

Institutionally, the trilateral rests on several converging policy frameworks. The EU's Strategy for Cooperation in the Indo-Pacific[26] with initiatives like the Global Gateway emphasizes connectivity, digital regulation, and sustainable development. The EU, grappling with economic instability caused by Russia's ongoing war in Ukraine, inflation, and sluggish growth, appears determined to mitigate risks and capitalize on new opportunities. Geopolitically, it has strengthened its relations with reliable Indo-Pacific partners like Japan and India, who share common interests in technology, connectivity, trade, and finance, offering a stable growth trajectory. Post Brexit and Trump's decision to exit from the Paris Climate agreement,[27] the EU found the pressing need to rely on partners that could aid in strengthening the rules-based system. This brought the limelight to the EU-India-Japan trilateral and the opportunities it holds for all three nations alike. Japan's Free and Open Indo-Pacific (FOIP)[28] vision foregrounds maritime security, infrastructure transparency, and normative multilateralism. India's Security and Growth for All in the Region (SAGAR) initiative aligns

regional connectivity with strategic autonomy and inclusiveness. These frameworks are not identical but synergistic. They provide a policy matrix through which trilateral cooperation can be operationalized. Essentially, the EU's Indo-Pacific Strategy, Japan's FOIP vision, and India's SAGAR policy are underpinned by overlapping goals: rule-based order, open seas, and democratic values. The tripartite could foster the best of cooperation in different sectors including but not limited to energy, digital connectivity, climate mitigation and control, military and security, maritime strength, and of course, global trade and supply chains.

The economic rationale for this trilateral is reinforced by the shared imperative to reduce overdependence on China. Both India and Japan have been targets of Beijing's economic coercion, while the EU has faced increasing challenges in managing its trade and investment relations with China. Post-COVID disruptions and semiconductor shortages have further emphasized the risks of concentrated supply chains. In this context, economic security acquires a new urgency. It is no longer an abstract concept but a concrete necessity involving trade diversification, technological autonomy, and the creation of trusted digital and infrastructural ecosystems.

A central area of trilateral cooperation must be supply chain resilience. The India-EU Trade and Technology Council (TTC), Japan's Expanded Partnership for Quality Infrastructure (EPQI), and the Indo-Pacific Economic Framework for Prosperity (IPEF) offer foundational platforms. Through the EU–India TTC and Japan's METI frameworks, collaboration on design, manufacturing, and mineral access (e.g., lithium and rare earths) becomes critical. India's Digital Public Infrastructure, Japan's AI governance frameworks, and the EU's Data Act and AI Act can be integrated into a coordinated standard-setting agenda. Furthermore, India and Japan can facilitate the EU to partner with the IPEF in boosting supply chain resilience—a common goal with the EU, for which the IPEF members have signed a first-of-its-kind pact.[29] By aligning these mechanisms, the trilateral can facilitate distributed production networks, logistical interoperability, and joint financing models. Critical sectors such as semiconductors, pharmaceuticals, and clean energy components demand particular attention. India's manufacturing potential, Japan's innovation ecosystem, and the EU's

regulatory and investment capacities can generate collective benefits that transcend bilateral limitations.

Technological collaboration, particularly in emerging domains such as artificial intelligence (AI), quantum computing, and 6G, presents another promising frontier. The EU's regulatory initiatives, including the AI Act and the Data Governance Act, provide a normative template for ethical innovation. Japan's advanced research ecosystem and AI governance frameworks can complement this regulatory depth. India's Digital Public Infrastructure and its emphasis on inclusive digitalization make it an ideal partner in testing scalable models. Together, these actors can shape global standards that prioritize ethical use, privacy, and transparency—offering an alternative to both American laissez-faire capitalism and Chinese techno-authoritarianism. The EU–Japan Economic and Digital Partnerships offer strong platforms to address economic security issues, with the High-Level Economic Dialogue (HLED) resulting in the 2023 Memorandum of Cooperation on Semiconductors and agreements on cross-border data flows.[30] Cybersecurity is a parallel concern. The proliferation of foreign digital interference, disinformation campaigns, and cyberattacks has underscored the vulnerability of interconnected systems. Coordinated responses through shared threat intelligence, joint cyber dialogues, and harmonized digital norms are necessary to protect economic and political institutions. The EU-Japan Digital Partnership, EU-India digital MoUs, and Japan's Global Digital Commons initiative offer a multilayered architecture for such cooperation.

Green transitions form another pillar of trilateral alignment. With climate change intensifying, the economic and security dimensions of environmental policy are becoming inseparable. Green hydrogen cooperation, rare earth mineral development, and sustainable infrastructure are immediate areas of convergence. India's production capacities, Japan's technological expertise, and the EU's regulatory leadership can coalesce into a green economic corridor that not only advances decarbonization goals but also ensures strategic autonomy from fossil-fuel dependencies. The 2018 conclusion of the EU–Japan Strategic Partnership Agreement (SPA)[31] and Economic Partnership Agreement (EPA)[32] marked a significant milestone in their relationship, solidifying their commitment to addressing shared challenges.

As a comprehensive framework, the SPA established a political foundation for deepening cooperation across various sectors, which was further expanded in subsequent agreements such as the EU–Japan Partnership for Sustainable Connectivity and Quality Infrastructure (2019), the EU–Japan Green Alliance (2021), and the EU–Japan Digital Partnership (2022). Notable progress has been made, particularly in areas like economic security, maritime security, cybersecurity, energy transition, and digital transformation.

Japan, renowned for its advanced high-end technology and commitment to quality, presents itself as a reliable partner in infrastructure development. Distinct from China, Japan emphasizes environmental sustainability and carbon-conscious practices, positioning itself as a more responsible and preferable choice in global partnerships. Meanwhile, India, one of the world's fastest-growing economies, offers a vast and diverse labor force—both skilled and unskilled—and aspires to emerge as a competitive alternative to China in manufacturing and goods production. In fact, according to the OECD's report, India is set to experience the strongest growth. It projects the country's GDP, which grew by 6.3 percent last year, will increase to 6.4 percent in 2025 and 6.6 percent in 2026.[33]

Despite its rapid economic growth, India remains a developing nation facing a distinct set of challenges. Its foreign policy is shaped by a dual imperative: the need to diversify trade relations through a multi-aligned diplomatic strategy, and the necessity of managing persistent security threats from its nuclear-armed neighbors, China and Pakistan. In this context, domestic and regional development—particularly in the realm of infrastructure and connectivity—plays a central role in advancing both its economic ambitions and strategic objectives.

India's aspiration to emerge as a major global power hinges significantly on its ability to foster strong and dependable partnerships. Collaborations with established economic and security allies are therefore crucial, not only for enhancing India's global stature but also for ensuring stability and resilience in an increasingly complex geopolitical environment. These alliances provide India with the strategic depth and economic support needed to navigate a multipolar world while reinforcing its position as a key player in the evolving liberal international order.

With India, the EU's focus on technology-driven economic cooperation, such as the Trade and Technology Council and a memorandum of understanding (MoU) on semiconductors, is pushing new boundaries. The EU is India's largest trading partner, accounting for •124 billion worth of trade in goods in 2023 or 12.2 percent of total Indian trade, topping the U.S. (10.8 percent) and China (10.5 percent).[34] The EU-India Free Trade Agreement (FTA) is currently being negotiated. A new EU-India Strategic Agenda is also in the making, and will revolve around three areas: trade and technology; security and defence; and connectivity and global partnership.[35] In light of India's rapid digitization and connectivity, the EU-India Strategic Partnership & Roadmap to 2025 includes commitments to cooperate on new and emerging technologies, norms and regulatory frameworks, and international standards.[36]

The India-Japan-EU trilateral partnership can provide alternative connectivity options, particularly in regions like Asia and the EU's extended neighborhood, where China's Belt and Road Initiative (BRI) has gained substantial influence. By leveraging existing cooperation frameworks, opportunities can be created in sectors such as infrastructure, energy, pharmaceuticals, renewables, digital and transport. Key initiatives include the EU-Japan Partnership on Sustainable Connectivity and Quality Infrastructure, the Global Gateway, Japan's Expanded Partnership for Quality Infrastructure (EPQI), India's Act East Policy, Japan's Western Balkans Cooperation Initiative, and India's Look West policy.

However, despite their complementary strengths, both Japan and India continue to maintain significant economic interdependencies with China, particularly in terms of supply chains. This reliance presents a strategic challenge for any efforts aimed at decoupling from Chinese dominance in key industries. In this context, the formation of a trilateral partnership potentially between the United States, Japan, and India could serve a critical purpose: to develop a resilient and diversified supply chain network that diminishes overreliance on China. Such a framework would not only enhance economic security but also reinforce the liberal international order by upholding principles of transparency, sustainability, and multilateral cooperation.

10.4 Africa as a Testbed for Trilateral Outreach

Africa emerges as a critical geography where the trilateral's economic security vision can be externally projected. The continent, marked by development potential and geopolitical contestation, is witnessing increased Chinese presence, often critiqued for its opacity and extractive tendencies. The Asia-Africa Growth Corridor (AAGC),[37] co-initiated by India and Japan, alongside the EU's Global Gateway initiative, provides the institutional scaffolding for a values-based alternative. Coordinated investments in digital infrastructure, healthcare, logistics, and clean energy can help build resilient economies while reinforcing normative legitimacy. The Asia-Africa Growth Corridor, Japan's EPQI, and the EU's Global Gateway offer blueprints for alternative connectivity projects in South Asia, Central Asia, and Africa. The EU had outlined their vision for Africa in 2022 in the African Union (AU)–EU summit, and an investment package of 150 billion Euros (164 billion USD)[38] was announced for their goals for 2030.[39] Japan and India's goals in African assistance and trade is aligned with this vision and therefore this trilateral could together clinch goals with better ease. A trilateral cooperation with India and Japan may contribute to the EU's set objective of recalibrating relations with Africa.

By aligning itself with the strategic initiatives of India and Japan, the European Union has the potential to significantly enhance its image as a global actor committed to upholding international security and development. This emerging tripartite framework offers a unique opportunity to shape global influence independently of the United States and China—two powers increasingly at odds in the current geopolitical landscape. Collectively, the EU, India, and Japan can leverage their shared democratic values and commitment to sustainable development to advance collaborative projects such as the EU's Global Gateway initiative. This partnership could play a pivotal role in counterbalancing China's presence, particularly in Africa, by offering high-quality, transparent, and environmentally responsible infrastructure alternatives. In doing so, the trilateral coalition would contribute not only to economic development across the African continent but also to the broader goal of promoting economic security and a rules-based international order.

This developmental outreach must be aligned with Africa's own agendas, particularly the African Union's Agenda 2063. Unlike the BRI model,[40] which has been accused of exacerbating debt dependencies, the trilateral approach emphasizes local ownership, sustainability, and capacity building. By anchoring their economic engagement in inclusive principles, the India-Japan-EU partnership can bolster both African development and global economic security.

10.5 Consensus on Taiwan

Taiwan represents a delicate but important arena for trilateral diplomacy. While formal recognition remains constrained by the One-China policy, quiet integration of Taiwan into global economic systems is both strategic and normative. The trilateral can facilitate Taiwan's inclusion in semiconductor consortiums, cyber defense dialogues, and informal diplomatic frameworks. Such moves reaffirm commitment to democratic resilience without overt confrontation. Moreover, the trilateral's emphasis on ASEAN centrality[41] and regional consensus can act as a buffer against escalation.

China appears increasingly cognizant of the strategic implications posed by the emerging trilateral cooperation between the European Union, India, and Japan, particularly in its potential to undermine Beijing's expansive ambitions in regions such as the South China Sea. Some analysts contend that China's recent display of military assertiveness, including a series of coordinated drills across multiple theaters, may be a calculated response to this evolving geopolitical alignment.[42]

Notably, China, alongside Iran and Russia, initiated a joint naval exercise near the Iranian port of Chabahar,[43] an area of strategic significance for regional trade and security. Simultaneously, in the Yellow Sea, the Chinese navy deployed its advanced Type 055 Renhai-class destroyer for high-intensity, multi-course combat exercises.[44] Additional operations included combat support drills in the South China Sea, reinforcing China's assertive posture in contested maritime zones. Moreover, two live-fire exercises were conducted in proximity to Australia and New Zealand, drawing international condemnation but eliciting no change in Chinese behavior.

These actions underscore the urgency for like-minded powers to consolidate their strategic efforts. The formation of a robust trilateral alliance uniting democratic and economically influential actors such as the EU, India, and Japan could serve as a crucial counterweight to China's growing assertiveness. Such alliances not only reinforce the principles of sovereignty and rules-based order but also offer smaller and vulnerable nations reassurance that their autonomy remains protected in an increasingly volatile global environment.

10.6 Institutionalization and Multilateral Leverage

Institutionalization remains key to the trilateral's sustainability. Ad hoc cooperation, while valuable, must evolve into structured mechanisms. A Trilateral Economic Security Forum, joint working groups on emerging technologies, and coordinated summits involving policymakers, industry leaders, and civil society are essential. Embedding trilateral priorities into multilateral platforms such as the G20, OECD, and WTO can amplify their influence. Norm entrepreneurship on issues ranging from data governance to ESG-aligned infrastructure finance must be pursued proactively.

The urgency of institutionalization is accentuated by the unpredictability of the Trump administration. With potential new tariffs looming, continued disruption of multilateral institutions, and the weaponization of trade for political ends, the India-Japan-EU trilateral cannot afford to remain reactive. It must assert a forward-looking agenda that prioritizes norm-building over hedging, resilience over dependence, and strategic autonomy over passive alignment.

In conclusion, the India-Japan-EU trilateral is not merely a geopolitical balancing act; it is a strategic necessity in a fragmenting order. Economic security, redefined for the 21st century, must anchor this partnership. In doing so, the trilateral can offer a rules-based, inclusive, and democratic alternative to the competing hegemonies of the U.S. and China. Its value lies not just in mitigating Trump's unpredictability or China's assertiveness but in affirming a collective commitment to a resilient, cooperative, and future-oriented global economic order.

10.7 Policy Recommendations

1. Institutionalize the India–Japan–EU Trilateral Through a Formal Economic Security Dialogue

Establish a dedicated trilateral platform—such as an *India–Japan–EU Economic Security Dialogue*—with annual summits, rotating secretariats, and specialized working groups. This body should coordinate strategic policy on trade, technology, infrastructure, and green transitions. It would also serve as a crisis response mechanism in the face of future disruptions, including economic coercion, cyber threats, and geopolitical instability. Embedding this dialogue in foreign and economic policy bureaucracies will ensure sustained momentum and inter-ministerial buy-in.

2. Launch a Joint Digital and Emerging Tech Framework for Global Standards

Create a formal trilateral initiative on digital governance, focusing on developing shared standards in artificial intelligence, semiconductor supply chains, cross-border data governance, and 6G. This would align Japan's AI and cybersecurity leadership, India's Digital Public Infrastructure (DPI), and the EU's regulatory clout (e.g., the AI Act, Digital Services Act). The goal is to provide a credible democratic alternative to China's digital authoritarianism and the U.S.'s market-driven tech ecosystem.

3. Create a Trilateral Green Corridor Fund for South Asia and Africa

Establish a financing mechanism that supports clean infrastructure projects in developing regions. This Green Corridor Fund would co-finance high-quality, low-carbon initiatives—such as renewable grids, green hydrogen hubs, and climate-resilient transport—especially in the Indo-Pacific and Africa. It could operate under ESG criteria and partner with development banks like the EIB, JBIC, and India's EXIM Bank. Joint branding with the EU's Global Gateway, Japan's EPQI, and India's AAGC would elevate visibility and soft power projection.

4. Build Resilient and Diversified Supply Chain Platforms

Form trilateral supply chain resilience hubs for key sectors like pharmaceuticals, semiconductors, critical minerals, and clean energy components. This could include joint mapping of vulnerabilities, the development of redundant manufacturing sites across the three regions, and streamlined investment approvals. A common platform could also facilitate trilateral stockpiling mechanisms and interoperability standards for logistics. Involving private sector stakeholders through a "Trilateral Industry Council" would enhance agility and practical implementation.

5. Embed Trilateral Norms in Multilateral Bodies to Shape Global Governance

Actively coordinate trilateral positions within multilateral institutions such as the G20, WTO, OECD, and even UN-affiliated bodies. The goal should be to set the agenda on economic security norms—ranging from export controls and data sovereignty to ESG finance and investment screening. The trilateral could propose a "Global Economic Security Charter" to codify principles around transparency, sustainability, and strategic autonomy. This norm entrepreneurship would help re-legitimize the liberal order through inclusive, multi-stakeholder diplomacy.

ENDNOTES

1 Michael C Williams, The crisis of the conservative international order, *International Affairs*, 2025;, iiaf011, https://doi.org/10.1093/ia/iiaf011.

2 G. J. Ikenberry, "China and the Rest Are Only Joining the American Built Order," *New Perspectives Quarterly* 25, no. 3 (Summer 2008): 18-21, https://doi-org.ezproxy.uws.edu.au/10.1111/j.1540-5842.2008.00995.x.

3 Hans Kundnani, "The myth of the liberal international order," *New Statesman*, January 14, 2025, https://www.newstatesman.com/international-politics/2025/01/trump-rules-based-liberal-international-order.

4 The White House, "National Security Strategy of the United States of America," December 2017, https://trumpwhitehouse.archives.gov/wp-content/uploads/2017/12/NSS-Final-12-18-2017-0905.pdf.

5 A. Taylor, "A timeline of Trump's complicated relationship with the TPP," *The Washington Post*, April 13, 2018, https://www.washingtonpost.com/news/worldviews/wp/2018/04/13/a-timeline-of-trumps-complicated-relationship-with-the-tpp/?noredirect=on&utm_term=.4a8d260996dc.

6 The White House, "Fact Sheet: President Donald J. Trump Imposes Tariffs on Imports from Canada, Mexico and China," February 1, 2025, https://www.whitehouse.gov/fact-

sheets/2025/02/fact-sheet-president-donald-j-trump-imposes-tariffs-on-imports-from-canada-mexico-and-china/.

7 Daniel Griswold and Clark Packard, "How Trade Agreements Have Enhanced the Freedom and Prosperity of Americans," Cato Institute, August 27, 2024, https://www.cato.org/publications/how-trade-agreements-have-enhanced-freedom-prosperity-americans.

8 David E. Bond, Gregory Spak, William Moran, Samuel Scoles, Matt Solomon, and Ian Saccomanno, "President Trump Expands Steel and Aluminum Tariffs to All Countries; Effective March 12, 2025", White and Case, February 17, 2025, https://www.whitecase.com/insight-alert/president-trump-expands-steel-and-aluminum-tariffs-all-countries-effective-march-12 .

9 Emma Farge and Olivia Le Poidevin, "Buffeted by Trump, WTO hunkers down to plot future", Reuters, April 1, 2025, https://www.reuters.com/world/buffeted-by-trump-wto-hunkers-down-plot-future-2025-04-01/.

10 G. John Ikenberry,"The end of liberal international order?", *International Affairs*, 94 (1), January 2018, pg 7–23, https://doi.org/10.1093/ia/iix241.

11 Anniek Bao, "China strikes back with 125% tariffs on U.S. goods as trade war intensifies", *CNBC*, April 11, 2025, https://www.cnbc.com/2025/04/11/china-strikes-back-with-125percent-tariffs-on-us-goods-starting-april-12.html.

12 Richard Partington, "Trump trade wars are slowing global growth and fuelling inflation, says OECD," *The Guardian*, March 17, 2025, https://www.theguardian.com/business/2025/mar/17/donald-trump-trade-wars-global-growth-inflation-oecd-uk-tariffs.

13 It is being termed as China Shock 2.0. The "China Shock" refers to the effect of increased Chinese exports on manufacturing jobs in the United States and Europe following China's entry into the World Trade Organization in 2001.

14 Jennifer Schonberger, "Fed's Williams: 'Uncertainty is high' amid shifting US economic policies," Yahoo Finance, March 21, 2025, https://finance.yahoo.com/news/feds-williams-uncertainty-is-high-amid-shifting-us-economic-policies-130526875.html.

15 Katia Dmitrieva, Philip Heijmans, and Prima Wirayani, "A new 'China Shock' is destroying jobs around the world," *Bloomberg*, March 20, 2025, https://www.bloomberg.com/news/features/2025-03-19/trump-s-tariffs-send-fresh-wave-of-chinese-goods-to-global-markets?utm_campaign=socialflow-organic&cmpid=socialflow-linkedin-business+&utm_content=business&utm_medium=social&utm_source=linkedin.

16 Laura Bicker, "China says it is ready for 'any type of war' with US," *BBC*, March 5, 2025, https://www.bbc.com/news/articles/c4gmd3g2nzqo.

17 Nicholas Khoo, "What would the founders of the US-led liberal international order think?" Lowy Institute, January 20, 2025, https://www.lowyinstitute.org/the-interpreter/what-would-founders-us-led-liberal-international-order-think.

18 The White House, "Withdrawing the United States from and ending funding to certain United Nations Organizations and reviewing United States Support to all International Organizations," Presidential Action, February 4, 2025, https://www.whitehouse.gov/presidential-actions/2025/02/withdrawing-the-united-states-from-and-ending-funding-to-certain-united-nations-organizations-and-reviewing-united-states-support-to-all-international-organizations/.

19 Celeste A. Wallander, "The Key to Ukraine's Survival," *Foreign Affairs*, March 17, 2025, https://www.foreignaffairs.com/ukraine/key-ukraines-survival.

20 T. Weiping, "China's Approach to Reduce Poverty: Taking Targeted Measures to Lift People

out of Poverty," Presentation delivered in Addis Ababa by the Deputy Director of the International Poverty Reduction Center in China (IPRCC), April 18, 2018, https://www.un.org/development/desa/dspd/wp-content/uploads/sites/22/2018/05/31.pdf.

21 M. Lee, "Populism or Embedded Plutocracy? The Emerging World Order," *Survival* 61, no. 2 (2019): 53-82, https://doi.org/10.1080/00396338.2019.1589078.

22 "UN Chief Arrives in Russia to Attend BRICS Summit," *The Moscow Times*, October 23, 2024, https://www.themoscowtimes.com/2024/10/23/un-chief-arrives-in-russia-to-attend-brics-summit-a86782.

23 T. Yuen-C, "Shangri-La Dialogue: 'Actors' that undermine rules-based order pose greatest threat to region, says US defence chief Shanahan," *The Straits Times*, June 1, 2019, https://www.straitstimes.com/singapore/in-swipe-at-china-us-defence-chief-patrick-shanahan-warns-of-asia-instability.

24 Patrick Wintour,"JD Vance's Munich speech laid bare the collapse of the transatlantic alliance", *The Guardian*, February 15, 2025, https://www.theguardian.com/world/2025/feb/15/jd-vance-munich-speech-laid-bare-collapse-transatlantic-alliance-us-europe.

25 Jagannath Panda, "[Asia's Next Page] In Search of an EU-India-Japan Trilateral", *Japan Forward*, April 12, 2022, https://japan-forward.com/asias-next-page-in-search-of-an-eu-india-japan-trilateral/.

26 "Questions and Answers: EU Strategy for Cooperation in the Indo-Pacific," European Commission, September 16, 2021, https://ec.europa.eu/commission/presscorner/detail/en/qanda_21_4709.

27 "Trump signs executive order directing U.S. withdrawal from the Paris climate agreement — again," *The Hindu*, January 22, 2025, https://www.thehindu.com/news/international/trump-to-withdraw-from-paris-climate-agreement-white-house-says/article69121146.ece.

28 "Explained: What is Japan's Free and Open Indo-Pacific policy and its benefits for India," *CNBC*, March 28, 2023, https://www.cnbctv18.com/world/japan-free-and-open-indo-pacific-policy-foip-impact-benefits-india-16278121.htm.

29 "Pillar II – Supply Chains", US Department of Commerce, https://www.commerce.gov/ipef/pillar-ii.

30 Ramon Pacheco Pardo and Eva Pejšová, "Deepening EU-Japan cooperation," January 2024, European Parliament, https://www.europarl.europa.eu/RegData/etudes/IDAN/2024/754443/EXPO_IDA(2024)754443_EN.pdf?utm_source=miragenews&utm_medium=miragenews&utm_campaign=news.

31 European Parliament, "The EU-Japan Strategic Partnership Agreement (SPA)," January 2019, https://www.europarl.europa.eu/RegData/etudes/BRIE/2018/630323/EPRS_BRI(2018)630323_EN.pdf.

32 Gabriel Felbermayr, "The EU-Japan Economic Partnership Agreement and the revitalisation of the international economic liberal order," Real Instituto Elcano, February 21, 2019, https://www.realinstitutoelcano.org/en/analyses/the-eu-japan-economic-partnership-agreement-and-the-revitalisation-of-the-international-economic-liberal-order/#:~:text=(2018)%20concludes%20that%20the%20agreement,measures%2C%20and%20regulatory%20cooperation'.

33 Patricia Cohen, "Trade war expected to weigh on global economy," *The New York Times*, March 17, 2025, https://www.nytimes.com/2025/03/17/business/trump-trade-war-global-economy.html.

34 European Commission, "Trade and Economic Security – India," n.d., https://

policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/india_en.

35 European Commission, "Speech by President von der Leyen: 'The Consequential Partnership: Reimagining and realigning EU and India ties for today's world'," February 28, 2025, https://ec.europa.eu/commission/presscorner/detail/en/speech_25_641.

36 European Council, "EU-India Strategic Partnership: A Roadmap to 2025," July 15, 2020, https://www.consilium.europa.eu/media/45026/eu-india-roadmap-2025.pdf.

37 Gurjit Singh, "India, Japan and the Asia Africa Growth Corridor," Gateway House, January 17, 2019, https://www.gatewayhouse.in/japan-aagc/.

38 European Commission, "EU-Africa: Global Gateway Investment Package," https://international-partnerships.ec.europa.eu/policies/global-gateway/initiatives-sub-saharan-africa/eu-africa-global-gateway-investment-package_en.

39 "Strengthening the Africa-EU partnership through action on climate impacts," CAN Europe, October 31, 2022, https://caneurope.org/strengthening-the-africa-eu-partnership-through-action-on-climate-impacts/.

40 Thomas O Falk, "Does China's 'palace diplomacy' benefit Africa or Beijing?" *Al Jazeera*, October 14, 2022, https://www.aljazeera.com/features/2022/10/14/analysis-does-chinas-palace-diplomacy-benefit-africa#:~:text=%E2%80%9CI%20don't%20distrust%20Chinese,indebtedness %20to%20the%20Asian%20country.

41 EEAS, "The EU and ASEAN must face together rising geopolitical tensions," July 17, 2023, https://www.eeas.europa.eu/eeas/eu-and-asean-must-face-together-rising-geopolitical-tensions_en.

42 MSN, "China preparing for 'three-front war'? Chinese Navy flaunts advanced warships in..., big worry for India due to...," March 2025, https://www.msn.com/en-in/war-and-conflicts/military/china-preparing-for-three-front-war-chinese-navy-flaunts-advanced-warships-in-big-worry-for-india-due-to/ar-AA1AiuXj.

43 "Iran, Russia, China conduct joint naval drills in Gulf of Oman," *Al Jazeera*, March 12, 2025, https://www.aljazeera.com/news/2025/3/12/iran-russia-china-conduct-joint-naval-drills-in-gulf-of-oman.

44 Ashish Dangwal, ""Not Even A Scratch"! China Claims Its Type-55 Destroyer, Aided By Drone Mothership, Repelled U.S. Navy Fleet In Wargames," *Eurasian Times*, February 3, 2025, https://www.eurasiantimes.com/hina-claims-its-type-55-destroyer/.