

# Will sign pact on chips today, says US commerce secy

## Raimondo says FTA off the table, IPEF to be more economically beneficial

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India and the United States (US) had been working very 'closely' on semiconductors and would on Friday sign a pact on sharing information and commercial opportunities related to it, US Commerce Secretary Gina Raimondo said on Thursday.

The US wants to coordinate with its allies, including India and Europe, so that a 'subsidy race' and 'glut' in the semiconductor space can be also avoided in the future.

"So the discussions that we've (India and the US) had are providing transparency in our initiatives, coordinating and collaborating on how we administer our semiconductor initiatives," said Raimondo, who is on a four-day visit to New Delhi till March 10 to enhance trade and commercial ties between both nations.

Amid the global semiconductor chip crisis, countries are chalking out strategies to build resilient supply chains so that they remain unaffected by disruptions such as pandemic or geopolitical tensions. For instance, last year, the US signed the CHIPS Act to strengthen domestic semiconductor manufacturing. In December 2021, India announced a production-linked incentive scheme for development of semiconductor and display manufacturing ecosystems.

Raimondo said the world, including the US, was overly dependent on Taiwan as far as semiconductors were concerned. "We're not producing enough semiconductors and we're getting them all from either just Taiwan or just packaged in Malaysia, and it exposes us to incredible disruption...93 per cent of the world's most advanced semiconductors are produced in Taiwan. That isn't, by any measure, is stable or resilient," she said at a fireside chat organised by Jesus and Mary College.

The India-US Commercial Dialogue will be held on Friday after a three-year hiatus that will focus on supply chain resiliency and diversification and new emerging areas.

The India-US CEO Forum will also take place on Friday with key priority areas such as increas-

ing supply chain resilience, enhancing energy security and reducing overall greenhouse gas emissions, advancing inclusive digital trade, and facilitating post-pandemic economic recovery, especially for small businesses.

There are also synergies between both nations on semiconductor design and technology. "How do we purposefully strategise and plan? For example, India is home to a massive amount of semiconductor design talent. The US leads the world in semiconductor design, we have synergy there. Having said that, you know, this semiconductor supply chain is incredibly complex from rare earth, critical minerals, chemicals, silicon, and actual manufacturing," Raimondo said.

One of the challenges, she pointed out, was India still had quite high tariffs on certain components that go into semiconductors or other electronics, making manufacturing difficult.

### FTA and IPEF

Raimondo said a trade deal with India was off the table and the Indo-Pacific Economic Framework (IPEF) would be more economically impactful than a free trade agreement (FTA).

IPEF has four pillars — trade, supply chains, tax and anti-corruption, and clean energy. Out of the 14 member-nations, only India walked out of the trade pillar in September last year as broad consensus had not emerged on issues pertaining to labour, environment, digital trade, and public procurement. India has an 'observer' status as far as the trade pillar is concerned.

"The US Congress has said there is no political appetite for FTA with India...My call is that IPEF may prove to be in many ways more economically impactful than FTA. FTA for the past 50 years has been an economic arrangement between two countries," she said, adding that IPEF would be a modern equivalent of an FTA.

"If we figure it right, it will...that will unleash more job creation in both the countries. We will see a big supply chain, job creation, private investments," she said.

Raimondo said the US was moving with the IPEF at an 'unprecedented pace' and was hopeful of concluding agreements on all four pillars of IPEF by the end of the year.

Raimondo said she had a meeting with India's external affairs minister S Jaishankar and launched a new initiative called the India-US Strategic trade dialogue, with a focus on export control.

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