Confederation of Indian Industry

India Japan Economic Security 2.0

Private Sector Dialogue

Indian Industry Recommendations

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Introduction

India and Japan today stand at an important stage in their bilateral relationship, grounded in a Special Strategic and Global Partnership formalised through the 2014 Tokyo Declaration signed by Prime Ministers Narendra Modi and Shinzo Abe. Over the past decade, this partnership has expanded steadily across political dialogue, defence cooperation, economic engagement, advanced technologies, sustainability initiatives, and people-to-people exchanges.

The alignment between India's Act East Policy, SAGAR vision, and the Indo-Pacific Oceans Initiative (IPOI), and Japan's Free and Open Indo-Pacific (FOIP) vision has strengthened cooperation in connectivity, maritime security, resilient supply chains, and capacity building. Japan leads the Connectivity pillar of IPOI and actively participates in Indian-led global initiatives such as the International Solar Alliance, the Coalition for Disaster Resilient Infrastructure, and LeadIT. Coordination through the Quad and the India–Japan–Australia Supply Chain Resilience Initiative further reflects a shared commitment to stability and rules-based order in the Indo-Pacific region.

Economically, the relationship is anchored in the India–Japan Comprehensive Economic Partnership Agreement (IJCEPA), which entered into force in August 2011. The agreement covers trade in goods and services, investment, and intellectual property. Since its implementation, economic and commercial engagement has expanded, with Japan emerging as a major investor in India across automobiles, infrastructure, electronics, and renewable energy.

In FY 2024–25, bilateral trade reached approximately US$ 25.17 billion, with Japan's exports to India at US$ 18.92 billion and India's exports to Japan at US$ 6.25 billion. While trade flows remain steady, they continue to operate below potential. India accounts for about 1.4 percent of Japan's total trade, while Japan represents around 2.1 percent of India's total trade. The trade basket reflects structural differences. India primarily exports mineral fuels, marine products, iron and steel, aluminium, and organic chemicals, while Japan exports machinery, electronic goods, transport equipment, and precision components.

Although the two economies are highly complementary, with Japan being capital intensive and ageing, and India being labour intensive with a young workforce, supply chain integration remains limited. Offshored manufacturing has not expanded at the scale anticipated, and high logistics costs, regulatory complexity, and business environment differences have constrained deeper trade growth in sectors such as auto components, electronics, and precision instruments.

However, substantial opportunities remain. Japan's technological strengths and India's skilled and competitive workforce create strong potential for value chain integration in advanced manufacturing, engineering goods, electronics, and emerging technologies. Strengthening supply chains and addressing operational bottlenecks can help position India as a reliable production and innovation partner within Japanese industrial networks.

The visit of Prime Minister Narendra Modi to Japan in August 2025 reaffirmed the strategic importance of the partnership and identified new areas for cooperation. Addressing the India–Japan Business Leaders Forum on 29 August 2025, the Prime Minister highlighted complementarities in advanced manufacturing including batteries, robotics, semiconductors and shipbuilding; frontier technologies such as artificial intelligence, quantum computing, space and biotechnology; green energy transition; next generation infrastructure; and human resource mobility.

Key outcomes included a ten-year strategic cooperation agenda covering economy, security, technology, sustainability, health, and culture; a private investment target of JPY 10 trillion from Japan to India; expanded skilled mobility including 50,000 Indian workers over five years; collaboration on critical mineral supply chains; strengthened digital cooperation in AI and semiconductors; and progress on joint space initiatives.

Against this backdrop, the present economic security research has been undertaken to assess cooperation across six critical sectors: semiconductors, artificial intelligence, critical minerals, pharmaceuticals, clean energy, and information and telecommunications. The objective is to identify structural constraints, regulatory gaps, ecosystem requirements, and third-country engagement opportunities that can strengthen resilience and deepen value chain integration.

Semiconductors

1. Strategic Context and Economic Security

Semiconductors have become a core pillar of India–Japan cooperation within the broader framework of economic security, resilient supply chains, and critical technologies. As both countries seek to reduce overdependence on concentrated geographies and secure trusted technology ecosystems, semiconductor collaboration has gained strategic importance. Chips underpin sectors such as automotive, clean energy, telecommunications, defence, consumer electronics, artificial intelligence, and digital infrastructure. Reliable access to advanced and mature node technologies is therefore closely linked to long term industrial competitiveness and national security.

The India Japan Digital Partnership 2.0, building on the July 2023 Memorandum of Understanding between India's Ministry of Electronics and Information Technology and Japan's Ministry of Economy, Trade and Industry, provides the institutional framework to advance semiconductor supply chain cooperation.

2. Complementarity in Capabilities

India and Japan bring distinct yet complementary strengths across the semiconductor value chain.

India has strong capabilities in semiconductor design, embedded systems, chip verification, and software driven innovation. It also has a growing domestic market supported by electric mobility, renewable energy expansion, digital services, and electronics manufacturing. Government incentive schemes such as Semicon India further aim to develop fabrication, assembly, testing, and packaging ecosystems.

Japan possesses advanced expertise in semiconductor manufacturing equipment, specialty materials, precision engineering, and power electronics. It remains globally competitive in semiconductor grade chemicals, specialty gases, and high purity materials that are essential for fabrication processes.

This complementarity offers significant scope for collaboration in design, fabrication, advanced packaging, equipment manufacturing, materials supply, and downstream applications.

3. Key Policy and Business Environment Challenges

Despite strong potential, several structural and regulatory challenges affect deeper cooperation:

- **Trade imbalance and regulatory asymmetry:** India runs a sizeable trade deficit with Japan. While Japanese firms highlight non-tariff barriers and standards related issues in India, Indian stakeholders face stringent quality, sanitary, and regulatory norms in Japan.

- **Technology transfer constraints:** Japanese firms often remain cautious about transferring process intellectual property, advanced packaging know how, equipment maintenance software tools, and proprietary manufacturing expertise. This limits the depth of localisation in India.

- **Decision making and implementation delays:** Slow corporate decision making in Japan, combined with lengthy project implementation cycles in India, can discourage cross border semiconductor projects that require time bound execution.

- **Regulatory ambiguity:** Evolving rules related to contract enforcement, cross border data flows, cybersecurity, export controls, and dual use technologies create compliance uncertainty. Overlapping jurisdictions across ministries and agencies in both countries add complexity.

- **Export control coordination:** Both governments are tightening controls on strategic exports including advanced chips, AI related technologies, and sensitive materials. However, detailed implementing rules and coordination mechanisms are still evolving, creating ambiguity for value chain participants.

- **Incentive misalignment:** India's production linked incentive schemes and Japan's economic security subsidies are not always synchronised. Complex local content and origin requirements can conflict with existing supply chain architectures, complicating joint project structuring.

- **Talent and skills gap:** Upgrading India's manufacturing talent in semiconductor fabrication, materials science, and precision engineering requires sustained collaboration to meet stringent purity and quality standards.

4. Supply Chain Resilience and Localisation

Strengthening supply chain resilience remains a shared objective. India's semiconductor demand is projected to grow significantly by 2030, requiring expansion in fabrication capacity, manufacturing equipment, specialty materials, and ancillary industries.

Localising segments of semiconductor equipment and materials production in India can diversify global supply chains and reduce concentration risks. However, changing tariff policies and local content requirements, particularly in adjacent sectors such as clean energy and batteries, can complicate sourcing strategies for Japanese firms participating in India based projects.

A predictable and transparent policy environment will be critical to encourage long-term capital-intensive semiconductor investments.

5. Joint Research, Innovation, and Standards Alignment

Technology collaboration is a high value area of engagement. Priority domains include automotive systems on chip, power semiconductors for electric mobility and renewables, high voltage and energy efficient devices, advanced packaging, chiplet architectures, artificial intelligence processors, and display technologies.

However, evolving governance frameworks for AI safety, dual use applications, advanced materials, and cybersecurity create uncertainty for firms investing in frontier technologies. Aligning standards for environmental compliance, labour practices, and ESG reporting is also essential but administratively demanding, especially for mid tier firms seeking integration into Japanese value chains.

Joint Centres of Excellence, structured research partnerships, and coordinated regulatory dialogues can address both technology and standards related gaps.

6. Recommendations to Governments

For the Government of Japan:

- Provide greater clarity on cross border data flow and cybersecurity requirements in line with evolving G7 and OECD norms to facilitate AI and semiconductor collaboration.
- Encourage deeper technology partnerships and calibrated transfer of advanced manufacturing know how.
- Streamline regulatory approvals for overseas manufacturing and joint R&D initiatives.

For the Government of India:

- Ensure stability and predictability in tariff and local content policies affecting semiconductor adjacent sectors.
- Simplify regulatory coordination across ministries dealing with electronics, export controls, and digital governance.
- Accelerate infrastructure readiness and skill development for semiconductor manufacturing.

For Both Governments Jointly:

- Establish a Joint Taskforce comprising semiconductor value chain stakeholders to develop clear, time bound action plans under the agreed scope of collaboration.
- Improve coordination on export control implementation to reduce compliance ambiguity.
- Align incentive structures and explore mechanisms to enable joint projects to benefit from schemes in both jurisdictions.
- Develop joint regulatory intelligence mechanisms to track evolving policies in semiconductors, AI, ESG, and strategic materials.
- Facilitate talent mobility and structured workforce development initiatives tailored to semiconductor manufacturing requirements.

7. Way Forward

Semiconductor cooperation between India and Japan is not limited to commercial opportunity. It is deeply connected to economic security, trusted digital ecosystems, and Indo Pacific stability. By combining India's design capabilities and growing market scale with Japan's advanced manufacturing and materials expertise, both countries can build a resilient semiconductor ecosystem that supports strategic autonomy and long-term technological leadership.

A coordinated, transparent, and industry anchored approach will be essential to unlock the full potential of the India Japan semiconductor partnership in the coming decade.

Artificial Intelligence (AI)

1. Strategic Context and Economic Security

Artificial Intelligence has become a strategic enabler across manufacturing, defence, healthcare, digital governance, financial services, and telecommunications. For India and Japan, AI cooperation is no longer limited to research collaboration but increasingly tied to economic security, industrial competitiveness, and trusted digital infrastructure.

Recent high-level engagements, including the India AI Impact Summit, underscored shared priorities around responsible AI deployment, industrial use cases, regulatory alignment, and secure data ecosystems. Both countries recognise that AI leadership depends not only on algorithm development but also on secure compute infrastructure, advanced semiconductors, high-quality datasets, and predictable governance frameworks.

As global debates intensify around AI safety, dual-use applications, and data sovereignty, India and Japan have an opportunity to shape a trusted, rules-based AI partnership aligned with democratic values and resilient supply chains.

2. Complementarity in Capabilities

India's AI ecosystem has expanded rapidly, supported by strong software engineering talent, a vibrant startup base, and large-scale digital public infrastructure. The domestic AI market is projected to contribute between USD 17–22 billion in economic value by 2027. India's strengths lie in AI services, model customisation, enterprise deployment, and large-scale integration across sectors such as fintech, healthcare, logistics, and governance.

Japan complements these capabilities with global leadership in robotics, precision manufacturing, automotive systems, and embedded intelligence. Its expertise in safety-critical systems, quality control, and industrial automation makes it a strong partner in applied AI for manufacturing, mobility, smart infrastructure, and defence electronics.

This complementarity creates scope for collaboration in industrial AI, edge computing, autonomous systems, smart mobility platforms, and AI-enabled infrastructure monitoring.

3. Key Policy and Business Environment Challenges

Despite clear strategic alignment, several constraints affect deeper AI collaboration:

- **Regulatory divergence in data governance and cross-border data flows**, particularly as both countries adapt to evolving global AI and cybersecurity norms.
- **Ambiguity around dual-use AI technologies**, especially in defence-adjacent or critical infrastructure applications.
- **Uncertainty in intellectual property ownership and liability frameworks** for jointly developed AI models.
- **High acquisition costs and restricted access to advanced AI platforms**, particularly for MSMEs.

- **Talent mobility constraints**, including visa timelines and compliance complexities.

Evolving export control regimes and increasing scrutiny over AI models with potential military or surveillance applications add further complexity to cross-border cooperation.

4. Recommendations to Governments

For the Government of Japan:
Provide clarity on export control interpretations related to AI technologies and cross-border data requirements. Encourage structured technology partnerships and concessional access to AI platforms for trusted Indian partners.

For the Government of India:
Ensure predictability in digital governance frameworks and provide clear guidelines on trusted AI deployments. Simplify compliance requirements for Japanese AI collaborations in industrial sectors.

For Both Governments Jointly:
Establish a Joint AI Taskforce to align regulatory frameworks, issue guidance on trusted AI use cases, and support co-funded research initiatives. Expand structured talent mobility programs for AI professionals and create joint Centres of Excellence focused on industrial AI and robotics integration.

5. Way Forward

India–Japan AI cooperation must transition from dialogue to implementation, anchored in regulatory clarity, secure digital infrastructure, and measurable industrial pilots. By combining India's software scale and data capabilities with Japan's hardware, robotics, and precision manufacturing strengths, both countries can build a resilient and innovation-driven AI ecosystem that supports economic security and long-term strategic alignment in emerging technologies.

Critical Minerals

1. Strategic Context and Economic Security

Critical minerals have become central to global economic security frameworks. Rare earth elements, lithium, cobalt, nickel, graphite, and high-purity silica are indispensable for semiconductors, electric vehicles, battery storage systems, renewable energy technologies, defence electronics, and telecommunications infrastructure. Although mineral deposits are geographically distributed, refining and advanced processing remain concentrated in limited geographies, creating systemic supply chain risks.

In response, major economies have begun advancing “trusted supply chain” and friend-shoring initiatives aimed at diversifying upstream sourcing and midstream processing capacity. Recent initiatives in advanced economies focused on high-purity silica and specialty materials highlight the expanding definition of strategic materials beyond traditional rare earths and battery metals.

For Japan, diversified and secure access to processed critical minerals is essential to sustain advanced manufacturing in automotive, electronics, robotics, and clean energy sectors. For India, critical minerals underpin electric mobility, renewable energy deployment, semiconductor ecosystem development, and defence manufacturing ambitions. India–Japan cooperation in this domain directly supports supply chain resilience, industrial competitiveness, and technological sovereignty.

2. Complementarity in Capabilities

India offers geological potential in selected rare earths and strategic minerals and is scaling domestic exploration and refining efforts. It also provides cost-competitive processing potential and growing downstream demand in batteries, renewables, and electronics.

Japan contributes advanced mineral separation technologies, metallurgical expertise, high-purity processing systems, and downstream capabilities in magnets, battery materials, and semiconductor inputs. Japanese industry also has experience structuring long-term offtake arrangements and technology-driven joint ventures.

This complementarity enables cooperation across:

- Domestic value chain development in India (refining, processing, recycling)
- Technology partnerships to enhance purity standards and process efficiency
- Joint third-country engagement, particularly in Africa and other resource-rich regions

3. Key Policy and Business Environment Challenges

- High capital intensity and long gestation periods for mining and refining projects
- Regulatory complexity in environmental approvals and land acquisition
- Administrative burden of aligning ESG, traceability, and reporting standards

- Evolving export control regimes and strategic material classifications
- Fragmented ecosystem development without downstream integration

In third markets such as Africa, additional risks include political uncertainty, infrastructure gaps, and regulatory unpredictability. Without coordinated engagement strategies, investments may lack scale or long-term sustainability.

4. Recommendations to Governments

For the Government of Japan

- Encourage India–Japan joint ventures in mineral refining and advanced materials processing, both in India and in third countries.
- Provide long-term offtake commitments to improve the bankability of upstream and midstream projects.
- Expand technology partnerships in high-purity separation, recycling technologies, and environmentally sustainable processing methods.
- Deploy risk mitigation instruments, including export credit and development finance support, for strategic mineral projects.

For the Government of India

- Streamline mining and refining approvals while maintaining robust environmental safeguards.
- Ensure policy predictability in royalty structures, taxation, and export regulations.
- Facilitate cluster-based infrastructure development near mineral processing zones.
- Strengthen diplomatic and financial support for Indian participation in overseas mineral asset acquisition.

For Both Governments Jointly

- Establish a Joint Critical Minerals Taskforce with a dedicated third-country cooperation pillar.
- Develop coordinated engagement strategies for Africa and other mineral-rich regions.
- Promote blended finance models combining public development finance, export credit, and private capital.
- Align ESG and traceability standards to reduce compliance friction across supply chains.
- Map strategic vulnerabilities across the mineral-to-manufacturing value chain and identify priority intervention areas.

- Promote integrated clusters linking overseas sourcing to refining in India and downstream manufacturing in both countries.

5. Way Forward

The global movement toward trusted and diversified mineral supply chains, including recent initiatives targeting high-purity silica and advanced materials which reflects a structural shift in strategic resource governance. India and Japan have an opportunity to proactively shape a coordinated, rules-based, and sustainable critical minerals partnership.

By combining domestic capacity building with structured third-country engagement and integrated value chain development, both countries can create a resilient and geopolitically diversified mineral ecosystem aligned with clean energy transition and advanced technology objectives.

Pharmaceuticals

1. Strategic Context and Economic Security

Pharmaceuticals and biopharmaceuticals form a core pillar of national health security and economic resilience. Recent global disruptions exposed vulnerabilities in active pharmaceutical ingredient (API) supply chains and overconcentration in limited geographies. For both India and Japan, building diversified, transparent, and resilient pharmaceutical supply chains is now viewed as a strategic priority rather than purely a commercial objective.

India plays a central role in global generic medicine supply and is a major producer of APIs and formulations. Japan, with its advanced regulatory systems and innovation-driven pharmaceutical industry, is a leader in specialised therapies, biologics, and medical technologies. Cooperation between the two countries therefore supports both supply chain stability and technological advancement in high-value segments.

Strengthened India–Japan pharmaceutical engagement aligns with broader economic security goals, particularly in ensuring continuity of essential medicines, expanding biopharma research collaboration, and reducing systemic dependency risks.

2. Complementarity in Capabilities

India offers scale manufacturing capacity, cost competitiveness, and a globally integrated pharmaceutical export base. It has expanding capabilities in biosimilars, vaccines, and contract manufacturing.

Japan contributes advanced R&D infrastructure, strong regulatory systems, innovation in specialty medicines, and stringent quality control mechanisms. Its expertise in precision manufacturing and medical device integration further complements India’s manufacturing strengths.

This complementarity enables collaboration in resilient API production, advanced generics, biosimilars, medical devices, and joint clinical research initiatives.

3. Key Policy and Business Environment Challenges

- Divergent regulatory pathways and inspection regimes, leading to duplicated audits and prolonged approval timelines.
- Differences in documentation standards and quality certifications.
- Limited mutual recognition mechanisms for Good Manufacturing Practice (GMP) inspections.
- High compliance costs for Indian mid-tier firms entering the Japanese market.
- Misalignment between national incentive schemes affecting cross-border project structuring.

Regulatory uncertainty and administrative complexity remain key impediments to deeper market integration.

4. Recommendations to Governments

For the Government of Japan

- Explore phased mutual recognition of inspections for select categories of APIs and essential medicines.
- Introduce fast-track approval mechanisms for trusted Indian manufacturers meeting advanced compliance benchmarks.
- Support joint research platforms in biologics and advanced therapeutics.

For the Government of India

- Continue strengthening regulatory harmonisation with international standards.
- Expand infrastructure and technical assistance programs to help mid-tier firms meet advanced compliance norms.
- Provide stable incentive frameworks for biopharma manufacturing and R&D partnerships.

For Both Governments Jointly

- Establish a Joint Pharmaceutical Working Group focused on regulatory convergence and supply chain resilience.
- Develop fast-track pathways for critical medicines and public health priorities.
- Promote co-funded research initiatives in biosimilars, vaccines, and advanced therapies.
- Facilitate structured industry–regulator dialogue to reduce compliance friction.

5. Way Forward

India–Japan pharmaceutical cooperation should prioritise regulatory convergence, resilient API ecosystems, and co-innovation in high-value therapeutics. A structured and phased approach toward mutual recognition and joint R&D can significantly enhance supply chain security and market integration.

Clean Energy

1. Strategic Context and Economic Security

Clean energy cooperation lies at the intersection of climate commitments, industrial transformation, and energy security. Both India and Japan have articulated long-term decarbonisation strategies, with strong emphasis on renewable energy expansion, green hydrogen, battery storage, and energy efficiency technologies.

As global competition intensifies around clean technology supply chains, secure access to components, raw materials, and advanced manufacturing capabilities becomes strategically significant. India–Japan collaboration in clean energy therefore supports both climate goals and economic security objectives.

2. Complementarity in Capabilities

India offers large-scale renewable energy deployment potential, cost-effective manufacturing capacity, and growing demand for clean energy infrastructure. It has strong ambitions in green hydrogen production and electrolyser manufacturing.

Japan contributes advanced technologies in electrolysers, hydrogen utilisation systems, battery storage, grid integration, and precision engineering. It also brings experience in long-term energy offtake arrangements and advanced energy management systems.

This complementarity creates opportunities in green hydrogen and ammonia production, solar manufacturing, advanced battery systems, and energy storage ecosystems.

3. Key Policy and Business Environment Challenges

- High capital intensity and limited availability of low-cost, long-tenure financing.
- Policy variability in tariffs and local content requirements affecting investment predictability.
- Infrastructure constraints in ports, logistics, and transmission networks.
- Technology transfer hesitations and intellectual property sensitivities.
- Limited integration of full value chain ecosystems (manufacturing, storage, logistics, export).

Without predictable policy signals and financing frameworks, large-scale clean energy investments face execution risks.

4. Recommendations to Governments

For the Government of Japan

- Expand concessional financing and export credit support for clean energy projects in India.

- Encourage technology partnerships in electrolysers, hydrogen systems, and advanced storage.
- Support long-term offtake frameworks for green hydrogen and ammonia imports.

For the Government of India

- Ensure policy stability in renewable tariffs, incentive schemes, and local content regulations.
- Facilitate plug-and-play industrial clusters for clean energy manufacturing.
- Improve port and logistics infrastructure to support hydrogen and ammonia exports.

For Both Governments Jointly

- Establish a Joint Clean Energy Taskforce to align incentive structures and monitor implementation.
- Develop blended finance platforms combining development finance and private capital.
- Promote integrated value chain development covering manufacturing, storage, transport, and export.
- Encourage joint R&D and demonstration projects in hydrogen and advanced storage systems.

5. Way Forward

India–Japan clean energy cooperation should focus on scale, financing innovation, and ecosystem integration. A coordinated approach linking technology, infrastructure, and long-term offtake arrangements will be essential to create commercially viable and strategically resilient clean energy partnerships.

Information and Telecommunications

1. Strategic Context and Economic Security

Information and telecommunications infrastructure form the backbone of digital economies and critical infrastructure systems. As cybersecurity risks increase and data sovereignty concerns intensify, both India and Japan are strengthening frameworks around trusted vendors, secure networks, and cross-border data governance.

Secure telecom networks are not only commercial assets but strategic infrastructure supporting defence systems, financial networks, smart cities, and industrial operations.

2. Complementarity in Capabilities

India offers scale in telecom deployment, software integration, IT services, and digital platforms. Its expanding data centre ecosystem further supports cloud-based services.

Japan contributes advanced telecom hardware, high-reliability components, optical systems, and secure network technologies. It also has strong expertise in quality assurance and high-performance communication systems.

Together, the two countries can collaborate in secure 5G/6G infrastructure, cloud systems, defence communications, maritime surveillance technologies, and digital infrastructure resilience.

3. Key Policy and Business Environment Challenges

- Evolving cybersecurity and data localisation requirements.
- Ambiguity in cross-border data transfer and liability allocation.
- Export controls affecting advanced telecom equipment.
- High acquisition costs and limited access for MSMEs.
- Multi-layered distribution systems limiting direct supplier–buyer engagement.

Regulatory unpredictability and compliance burdens can delay project execution.

4. Recommendations to Governments

For the Government of Japan

- Provide clarity on export control regimes affecting telecom hardware and dual-use technologies.
- Expand concessional access and partnership frameworks for Indian telecom integrators.
- Encourage direct B2B engagement models to reduce distribution inefficiencies.

For the Government of India

- Streamline regulatory coordination across telecom, IT, and cybersecurity authorities.
- Provide predictable data governance frameworks for trusted partners.
- Highlight MSME participation challenges in strategic technology imports.

For Both Governments Jointly

- Develop a Trusted Telecom Vendor Framework with mutual accreditation standards.
- Establish joint testbeds for secure 5G/6G and edge computing pilots.
- Expand skilled professional mobility frameworks for telecom engineers and IT specialists.
- Institutionalise an India–Japan Digital Security Dialogue focused on telecom resilience.

5. Way Forward

India–Japan cooperation in telecommunications must prioritise trusted networks, regulatory clarity, and secure infrastructure development. A structured, institutionalised approach linking industry, regulators, and security agencies will be critical to building resilient and future-ready digital ecosystems.

Conclusion

Towards India–Japan Economic Security 2.0

India–Japan Economic Security 2.0 represents the next phase in a partnership that has steadily evolved from trade and investment cooperation into a structured strategic alignment across technology, manufacturing, and resilient supply chains.

The analysis across six critical sectors highlights a consistent pattern. The two economies are fundamentally complementary. Japan offers advanced manufacturing capabilities, precision engineering, high standards in quality and compliance, and deep capital resources. India brings scale, competitive human capital, expanding domestic demand, and a growing innovation ecosystem. Yet despite this complementarity, structural bottlenecks continue to constrain integration. Regulatory divergence, export control uncertainty, fragmented ecosystem development, and financing constraints limit the pace and depth of collaboration.

Economic Security 2.0 must therefore move beyond declarations toward institutionalised execution. Three principles should guide this next phase.

First, resilience must be ecosystem-based. Isolated investments in fabrication, refining, hydrogen production, or telecom infrastructure will not deliver durable outcomes. Integrated value chains, anchored in clusters and supported by Tier 2 and Tier 3 suppliers, are essential.

Second, regulatory coordination is as important as capital investment. Clear guidance on export controls, dual-use classifications, cross-border data flows, ESG standards, and compliance mechanisms will reduce uncertainty and unlock private sector participation.

Third, third-country cooperation should become a structured pillar of the partnership. Joint engagement in Africa and other resource-rich regions can diversify supply chains, enhance strategic autonomy, and strengthen the broader Indo-Pacific architecture.

The commitments announced during Prime Minister Modi's 2025 visit, including the ten-year strategic agenda, the JPY 10 trillion investment target, expanded mobility frameworks, digital cooperation, and critical mineral collaboration, provide a strong political mandate. The task ahead is to translate this mandate into measurable outcomes through sectoral taskforces, financing platforms, and regulatory alignment mechanisms.

India–Japan Economic Security 2.0 is not a response to immediate disruptions alone. It is a long-term framework to position both countries as trusted partners in advanced manufacturing, frontier technologies, and resilient supply chains. If implemented with clarity, predictability, and industry participation, this partnership can evolve into a cornerstone of stability and competitiveness in the Indo-Pacific economic landscape.

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