# India Joins US-Led Mineral Security Finance Network to Secure Critical Mineral Supply Chains

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## What’s in today’s article?

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- China’s strategy of restricting access to critical minerals
- What is Minerals Security Partnership (MSP)?
- What is Minerals Security Finance Network (MSFN)?

## Why in News?

India has formally joined the Minerals Security Finance Network (MSFN), a US-led initiative focused on enhancing cooperation among members to secure supply chains for critical minerals. The announcement, made by the US State Department on the sidelines of the UN General Assembly, involves a pact signed by 14 countries and the European Union.

The MSFN is an extension of the Minerals Security Partnership (MSP), launched by the US in 2022. **India had already joined the MSP in June 2023**.

## China’s strategy of restricting access to critical minerals

- **China blocking the access to critical minerals**
  - On August 15, 2023, China announced restrictions on antimony exports, a critical mineral for military and defense equipment, citing “national security.”
  - The move, effective from September 15, was part of a broader pattern of counteractions in response to global efforts to reduce reliance on Chinese minerals.
- **China is using its dominant position**
  - China dominates the global supply chains for critical minerals, controlling 60% of rare earth and critical minerals production and 80% of their processing, making other nations, such as the U.S., EU, India, and Japan, strategically vulnerable.
- **Past instances where China weaponized its dominant position**
  - China has previously weaponized its mineral dominance, as seen in 2010 when it halted rare earth exports to Japan after a maritime dispute.
  - In 2023, China imposed further export restrictions on minerals like gallium, germanium, and graphite, in retaliation against U.S. export controls on advanced technology.
  - These actions signal China’s willingness to leverage its control over critical minerals to counter U.S.-led efforts to diversify supply chains and reduce dependency on Chinese resources.
  - China’s actions aim to undermine Western efforts to decouple from its supply chains and hinder development in areas like submarines and fighter jets, which require large amounts of rare earth elements.
  - This shift marks a departure from cooperation to coercion in China’s foreign relations, signaling that mineral export controls will intensify as tensions with the West grow.

## What is Minerals Security Partnership (MSP)?

- **About**
  - In August 2022, US and 10 other nations for this alliance known as MSP.
  - MSP is an international alliance that aims to ensure a stable supply of critical minerals for a clean energy transition.
  - It focuses on minerals and metals that are essential for clean energy technologies, such as lithium, cobalt, nickel, manganese, graphite, rare earth elements, and copper.
- **Goals**
  - **Sustainable supply chains**: The MSP works to create diverse, sustainable, and responsible supply chains for critical minerals.
  - **Economic development**: The MSP aims to ensure that the production, processing, and recycling of critical minerals supports economic development.
  - **Environmental, social, and governance (ESG) standards**: The MSP’s members commit to high ESG standards.
  - **Shared prosperity**: The MSP’s members work to promote shared prosperity.
- **Members**

    - Australia, Canada, Estonia, Finland, France, Germany, India, Italy, Japan, Norway, Republic of Korea, Sweden, United Kingdom, United States, and European Union.

## What is Minerals Security Finance Network (MSFN)?

- **Background: need for MSFN**
    - The creation of the MSFN reflects a growing need to reduce dependence on countries like China for critical resources, particularly rare earth minerals.
    - Signatory nations emphasized that meeting the global demand for these minerals to support the clean energy transition requires collaboration between the public and private sectors.
- **About**
    - MSFN is a new initiative that originates from the MSP, a framework established by the US in 2022.
    - The network aims to bring together institutions from the Indo-Pacific region and Europe, promoting cooperation, information exchange, and co-financing.
    - Under this, development finance institutions (DFIs) and export credit agencies (ECAs) from member nations will work together to enhance production capacity and resilience in mineral supply chains.
- **Countries that are part of this initiative**
    - The partnership includes 14 countries and the European Commission.
    - These are the USA, Australia, Canada, Estonia, Finland, France, Germany, **India**, Italy, Japan, the Republic of Korea, Norway, Sweden, the United Kingdom, and the EU.
- **India's participation**
    - India's participation in this initiative is aimed at diversifying and securing its supply of critical minerals from nations like Argentina, Chile, Australia, and select African countries.
- Kazakhstan, in Central Asia, is also being explored as a potential source for India's mineral requirements.
    - China dominates rare earth production, controlling about 70% of global output, while **India seeks to establish itself in the lithium value chain**.
- New Delhi is heavily dependent on the imports of critical minerals such as lithium, nickel, cobalt and copper, which resulted in an import cost of around ₹34,000 crore in FY23.
- It is estimated that India's hunger for minerals will only grow, and so will the import cost, further increasing India's vulnerability.
    - This partnership with the US-led network marks a critical step forward for India in its quest to reduce reliance on China for these minerals and build a robust, self-sustaining supply chain for its green energy initiatives.

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### Q.1. What is the Minerals Security Finance Network (MSFN)?

The MSFN is a US-led initiative aimed at enhancing cooperation among member countries to secure supply chains for critical minerals. It originated from the Minerals Security Partnership and involves 14 countries plus the European Union.

### Q.2. Why is India participating in the MSFN?

India aims to diversify its critical mineral supply, reduce dependence on China, and establish a robust supply chain for green energy initiatives. The partnership is crucial for securing minerals essential for India's energy transition and economic growth.

**Source:** India joins US-led Mineral Security Network to secure critical minerals, fend off Chinese challenge | The Hindu | Business Standard

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