

WTO panel to probe India's PLI schemes for auto, batteries on China's complaint

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The World Trade Organisation has agreed to establish a dispute panel sought by China to rule on the legality of India's incentives for EV passenger car manufacture and the Production Linked Incentive (PLI) schemes for new-generation batteries and automobiles, sources said.

"At the dispute settlement body meeting of the WTO on Tuesday, Beijing argued that India's incentive programs in the automotive and renewable energy sectors, requiring companies to favour local manufacturing, went against the principles of national treatment and prohibition of import substitution subsidies, resulting in a violation of WTO rules," a Geneva-based trade official told *businessline*.

India expressed disappointment with China's insistence on a panel and said that it had explained in detail to Beijing that its measures were in line with its WTO obligations, the official added.

The US, a third party in



COUNTER POINT. India expressed disappointment over China's insistence on a panel

the dispute, also said it was disappointed that China had decided to proceed with the request for a dispute.

Washington alleged that China had its own non-market policies and excess capacities that were detrimental to global supply chains and it was just trying to divert attention from these, the official said.

India had blocked the first request for a panel by China at a DSB meeting on January 27.

As China went ahead with a second request for a panel

on Tuesday despite its consultations with India on the matter, the DSB, as per established rules, had to honour it.

BELJING'S CONCERN

In its complaint at the WTO, China singled out three schemes—the PLI ACC battery storage scheme, the PLI auto scheme and the EV passenger cars scheme—for allegedly subverting WTO rules.

It said that these schemes were contingent upon the use of domestic over impor-

ted goods or were otherwise discriminating against goods of Chinese origin.

New Delhi had rejected the allegations and argued that the schemes were legitimate tools for national development and not a mechanism for discrimination.

The PLI schemes are designed to build global-scale manufacturing hubs and did not specifically target or block Chinese goods.

"In Tuesday's meeting, India reiterated that the measures challenged by Beijing did not have any noticeable negative impact on Chinese industry or exports. India said it had no doubt about the compatibility of the measures with WTO rules," the official said.

India is hopeful of a favourable verdict; in case of an unfavourable verdict, it could appeal to the WTO Appellate Body against it. However, the Appellate Body is dysfunctional because of the US blocking the appointment of judges, and so, it would be an appeal "in the void" and China will not be able to secure a resolution of the matter through legal channels.