

EU may opt for retaliatory tariffs on Indian goods

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In what could potentially create trade tensions between India and the European Union (EU), Brussels has threatened to impose retaliatory tariffs on Indian goods if New Delhi doesn't abide by the World Trade Organization (WTO) ruling against its customs duties on electronic items like smartphones.

In a written reply to a questionnaire sent by *Business Standard*, an EU spokesperson said: "In the event there is an appeal to the non-functioning WTO Appellate Body (i.e. an 'appeal into the void'), the EU has in place legislation (the Enforcement Regulation) that allows it to enforce its rights by imposing customs duties or other restrictions in response to an appeal into the void, should the EU decide to do so."

On April 17, the Dispute Settlement Body, the second-highest adjudicating authority at the WTO, ruled that India's imposition of tariffs on information and communication technology (ICT) products violated its zero-tariff commitment under the Information Technology Agreement enforced by the multilateral trade body.

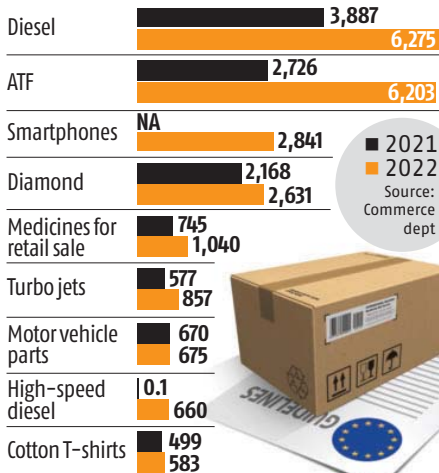
CASE FILE

■ The EU, Taiwan, and Japan dragged India to WTO in 2019 for imposing tariffs on certain ICT goods

■ India justifies its tariffs, arguing that when it signed the WTO's IT Agreement in 1996, items like smartphones were not prevalent

■ On April 17, WTO's dispute settlement panel ruled against India, asking it to eliminate tariffs on such electronics items

INDIA'S TOP EXPORTS TO EU (in \$mn)



Micron...

The global OSAT-ATMP market is projected to grow to \$42 billion by 2026. ATMP players are a key link in the value chain of chip making. It is easier to set up an ATMP facility than a fab plant. Unlike a foundry or a fab plant, which requires a fabless design company such as Qualcomm or Mediatek to give them orders, ATMP players, since they make their own wafers, can sell directly to customers.

Getting a global major to start operating in India will raise the country's standing in the global semiconductor sweepstakes. The space has already attracted large business groups, such as the Tatas, which have shown interest. Others, such as HCL, Syrma Technology, SPEL Semiconductor and Valenkani Electronics, have also shown keen interest in their interactions with the government.

However, global OSAT companies, among them Taiwan's ASE Technology, Powertech, and Siliconware Precision Industries, and US-based Amkor, have kept away from this space in India.

EU...

Indian officials have indicated that the verdict would not have any immediate impact as India would file an appeal with the WTO's Appellate Body, the highest adjudicating authority, which remains dysfunctional after the US blocked approval of judges to the body.

The EU spokesperson, however, said India had the right to appeal the WTO panel report. "India has consistently underlined and made clear its support for the multilateral trading system and the WTO. In this context, it has the right to appeal the panel report if it genuinely considers that there is a need to correct it. In the absence of a WTO Appellate



Body, this would imply an appeal to the MPIA (multi-party interim appeal arbitration arrangement) or using alternative appeal arrangements. The EU has over the last months offered to engage in discussions with India on these two different appeal routes," the EU spokesperson added. The EU had earlier approached India to resolve the matter through the MPIA. However, India rejected the offer, as it is against the mechanism and favours the restoration of the WTO Appellate Body.

Set up in April 2020, the MPIA is an alternative mechanism with 53 WTO members, led by the EU, Canada, and Australia, for resolving WTO disputes that are appealed by a member nation in the absence of a functional WTO Appellate Body.

The EU has claimed that up to €600 million of its technology exports to India were adversely impacted annually due to India's imposition of tariffs on ICT products.

Jayant Dasgupta, former Indian ambassador to the WTO, said the EU can't force India to go for arbitration under the MPIA as it is optional and both parties should agree to it. "The EU may have its legislation and it may feel it is empowered to do so, but it is simply not WTO-consistent. This will be a unilateral retaliation. Retaliation is provided by the WTO if a country doesn't abide by the Appellate Body decision. This will unravel the WTO's dispute settlement process, step by step. This is not going to solve the problem, which has been created by the US," he said.

Dasgupta said if the EU

retaliated, India could also retaliate as a counter-measure. "It's following the plot of the US versus seven countries including India on the aluminium and steel tariffs. The sane way to avoid such situations is to restore the Appellate Body," he said.

Without directly replying to whether the EU will also raise

the matter in the upcoming free-trade agreement talks with India, the EU spokesperson said: "The EU-India FTA negotiations run on a parallel track and are a platform for discussing our trade relationship, including removing trade barriers between both sides."

The fifth round of negotiations between the EU and India for an FTA will be held in New Delhi during June 19-23. During the fourth round of negotiations that concluded last month in Brussels, both sides accelerated work on negotiating texts for an FTA and initiated discussions on the modalities of the exchanges of offers on market access in goods, services, investment, and public procurement.

BS SUDOKU

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