6. China's Complaint Against India at WTO – I R

China has filed a complaint with the World Trade Organization (WTO) against India

Background - China's WTO Challenge to India's PLI Schemes

China has formally challenged India's Production Linked Incentive (PLI) schemes at the World Trade Organization (WTO). China argues that certain PLI conditions favor domestic goods over imports, particularly impacting Chinese exporters. The dispute focuses on three schemes promoting electric mobility and advanced manufacturing — areas where China has global dominance and India is building strategic capabilities.

PLI Schemes Under Challenge

1. Advanced Chemistry Cell (ACC) Battery PLI

Objective - Build giga-scale battery manufacturing capacity in India.

DVA requirement - 25% domestic value addition

2. Automotive Sector PLI

Focus - Encouraging Advanced Automotive Technology (AAT) vehicles & components.

DVA requirement - 50% domestic value addition

3. Electric Vehicle PLI

Objective - Attract global EV manufacturers to India and boost domestic EV ecosystem.

China's Argument

DVA criteria incentivize local content use, discouraging imports. This allegedly discriminates against Chinese products, amounting to a trade-distorting measure.

Domestic Value Addition (DVA) Requirement

Acts as a local content requirement (LCR). Linked to release of financial incentives under PLI.

WTO concern - Subsidy contingent on using domestic over imported inputs = import substitution subsidy.

WTO Law on Subsidies

SCM Agreement (Agreement on Subsidies and Countervailing Measures)

Article 1 — Definition of a Subsidy

A subsidy exists when -

Government gives a financial contribution

A benefit is conferred

Subsidy is specific to certain industries or enterprises

Types of Subsidies

Category	**Status**	**Examples**
Prohibited	Always illegal	Export subsidies, Local content subsidies
Actionable	Allowed unless harmful	Production subsidies
Non-actionable	(Now expired category)	R&D subsidies, environmental subsidies

Import Substitution Subsidies (Prohibited)

Defined in SCM Article 3.1(b). Subsidy contingent upon using domestic inputs instead of imports. PLI's DVA condition may fall here

Link With Other WTO Provisions

GATT – Article III.4 (National Treatment) - Imported goods must not receive less favorable treatment than domestic goods.

TRIMs Agreement – Article 2.1 - Prohibits investment rules violating National Treatment. Explicitly bans local content requirements (LCRs). Thus, India's DVA-linked PLIs may be treated as prohibited import substitution subsidies.

WTO Dispute Settlement Process

Stage 1 - Consultations - India & China must first negotiate

Stage 2 - WTO Panel - If no resolution, a WTO panel adjudicates

Stage 3 - Appeal to Appellate Body — But it's defunct - Appellate Body has been non-functional since 2019 due to U.S. blocking appointments. If India appeals panel's ruling → dispute enters legal limbo.

Result - Status quo continues, PLI can proceed pending appeal outcome

India's Likely Arguments

PLI promotes industrial development & energy transition — a legitimate policy goal. DVA not designed as import restriction but manufacturing ecosystem creation. India may cite -

1. National security exception
2. Climate transition and technology sovereignty
3. Precedent of industrial subsidies by major economies (U.S. CHIPS Act, EU green subsidies)

Strategic & Geopolitical Context

China dominates EV supply chains — batteries, rare earths, electronics. India aims to reduce dependence, build strategic capacity, secure EV & battery ecosystem. Dispute aligns with emerging geo-economic protectionism -

1. U.S. IRA & CHIPS Act
2. EU Net-Zero Industry Act
3. China's state-backed industrial subsidies

Key Takeaways

WTO challenge tests India's industrial policy autonomy. Outcome may influence future PLI design & global subsidy discipline. India's positions likely framed around -

1. Strategic sector protections
2. Climate commitments
3. Fair development space for emerging economies

Source - https - //www.thehindu.com/news/international/what-is-chinas-complaint-against-india-at-wto-explained/article70218390.ece# - ~ - text=It%20alleges%20that%20India%20is,in%20contravention%20of%20WTO%20law.