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# India Blocks China's WTO Dispute Panel Request on Solar and IT Measures

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# India Blocks China's WTO Dispute Panel Request on Solar and IT Measures

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## WHY IN NEWS:

At the **WTO Dispute Settlement Body (DSB) meeting in Geneva on May 22, 2026**, India blocked China's first request to constitute a dispute settlement panel against India's tariffs and incentives on **IT products and solar energy goods**. Under WTO Dispute Settlement Understanding (DSU) rules, a member can block only the **first** panel request — when China renews the request at the next DSB meeting, the panel will be **automatically established**. The dispute is the first major WTO confrontation between India and China in the renewable energy and electronics manufacturing space and tests the boundaries of green industrial policy under multilateral trade law.

## THE DISPUTE — WHAT CHINA HAS CHALLENGED

China's complaint targets two policy clusters at the heart of India's manufacturing strategy.

### Solar Energy Measures

MEASURE	DETAILS
Basic Customs Duty on solar modules	<b>40%</b> since April 1, 2022
Basic Customs Duty on solar cells	<b>25%</b> since April 1, 2022
Approved List of Models and Manufacturers (ALMM)	MNRE-notified list — only listed manufacturers can supply modules to government-supported projects
PLI Scheme for High-Efficiency Solar PV Modules	Total outlay <b>₹24,000 crore</b> — Phase I ₹4,500 cr (April 2021) + Phase II ₹19,500 cr (Sept 2022)

### IT Goods Measures

China contests India's tariffs on **smartphones, telecom equipment and select IT products**, arguing they breach India's commitments under the WTO **Information Technology Agreement (ITA-1, 1996)**. India never joined the expanded **ITA-2 (2015)** that covers a wider list of higher-end electronics.

## INDIA'S POSITION

India has maintained the measures are WTO-consistent on multiple grounds:

- **Supply chain diversification** — China holds **over 80% of global market share** across the solar PV value chain (polysilicon → wafer → cell → module), creating systemic concentration risk
- **Energy security** justifications under the general exceptions of **GATT Article XX** and security exceptions under **Article XXI**
- Coherence with India's **500 GW non-fossil electricity capacity target by 2030** — part of the **Panchamrit** commitments announced at COP-26 Glasgow (November 2021)
- IT tariffs are calibrated to the manufacturing base built up under PLI for mobile phones and telecom

## HOW THE WTO DISPUTE SETTLEMENT SYSTEM WORKS

The dispute settlement architecture is governed by the **Dispute Settlement Understanding (DSU)**, one of the founding agreements of the WTO.

STEP	ACTION	TIMELINE
1	Consultations between parties	Up to 60 days
2	Panel request	First request can be blocked once
3	Panel established at second DSB meeting	<b>Automatic</b> under DSU Article 6
4	Panel report circulated	6–9 months
5	Appellate Body review (if appealed)	60–90 days
6	Implementation period (Reasonable Period of Time)	Up to 15 months; retaliation possible if non-compliance

### Key Point

China's request on May 22 was its **first**. At the **next DSB meeting**, China can renew the request and the panel will be constituted automatically — India can no longer block it. Thereafter the proceedings move into substantive panel adjudication.

## WTO INSTITUTIONAL CONTEXT

ITEM	DETAIL
WTO established	January 1, 1995 (under the Marrakesh Agreement, 1994)
Predecessor	GATT 1947
Headquarters	Geneva, Switzerland
Members	166 (Comoros became 165th on August 21, 2024; Timor-Leste became 166th on August 30, 2024)
Director-General	Ngozi Okonjo-Iweala (since March 1, 2021)
India's status	Founding member

### The Appellate Body Crisis

- The WTO **Appellate Body (AB)** has been **dysfunctional since December 2019** because the **United States has blocked the appointment of new judges**
- The AB requires a minimum of three judges to hear appeals; vacancies have not been filled
- A workaround — the **Multi-Party Interim Appeal Arbitration Arrangement (MPIA)** — operates among willing members, but **India is not a member of MPIA**
- This means panel rulings, if appealed, may end up in an “appeal into the void” — an unresolved limbo

## INDIA'S SOLAR MANUFACTURING PUSH

The disputed measures sit within a layered industrial strategy.

### PLI Scheme — Solar PV Modules

PHASE	OUTLAY	YEAR
Phase I	₹4,500 crore	April 2021
Phase II	₹19,500 crore	September 2022
<b>Total</b>	<b>₹24,000 crore</b>	—

### ALMM (Approved List of Models and Manufacturers)

- **List I** (modules): notified in March 2019; enforcement reinstated from April 2024 after a temporary suspension

- **List II** (cells): to be notified, integrating domestic cell capacity into the eligibility framework

## Domestic Capacity (2025 estimates)

SEGMENT	INSTALLED CAPACITY
Modules	~75 GW
Cells	~25 GW
Wafers	~2 GW

## 2030 Manufacturing Target

SEGMENT	TARGET
Modules	100 GW
Cells	50 GW
Wafers	25 GW

## INDIA'S RECENT WTO DISPUTE HISTORY

CASE	PARTIES	ISSUE	OUTCOME
DS456	US vs India	India's solar Domestic Content Requirement (DCR)	India lost (2016)
DS455	EU vs India	Anti-dumping on USB flash drives	Settled
DS510	India vs US	US state-level renewable energy measures	Mixed outcome

The current China-initiated dispute is therefore the latest in a long line of disputes touching India's renewable energy industrial policy.

## GREEN INDUSTRIAL POLICY AND WTO STRESS TEST

The India–China dispute is part of a broader global pattern of green industrial subsidies running into WTO rules:

- **US Inflation Reduction Act (IRA), August 2022** — \$369 billion in clean energy subsidies; criticised by the EU, Japan and Korea

- **EU Carbon Border Adjustment Mechanism (CBAM)** — transitional phase began October 2023; full implementation from 2026
- **China’s own subsidy regime** for electric vehicles, solar PV and batteries — frequently challenged
- **India’s PLI ecosystem** spanning 14 sectors — drawing scrutiny from multiple partners

The underlying tension: WTO law remains anchored in a pre-climate, pre-supply-chain-security framework, while major economies are simultaneously pursuing aggressive industrial policy.

## BILATERAL CONTEXT — INDIA–CHINA RELATIONS

DIMENSION	STATUS
Border	Disengagement at remaining LAC friction points completed by <b>October 2024</b> ; coordinated patrolling restored
Bilateral trade (FY24)	~\$118 billion
India’s trade deficit with China	~\$85 billion (largest with any single country)
Recent thaw	Eased student and journalist visa procedures (January 2026)
Frictions	Restrictions on Chinese investment via FDI Press Note 3 (2020), data/electronics security concerns, and now WTO solar–IT dispute

The WTO dispute thus runs in parallel with a careful political normalisation — illustrating that trade frictions can persist even as security ties stabilise.

## UPSC RELEVANCE

- **GS Paper 2** — International Relations: India–China bilateral, multilateral institutions (WTO), reform of global trade architecture, India and the Global South
- **GS Paper 3** — Indian Economy: Industrial policy and PLI, trade balance, renewable energy targets and Atmanirbhar Bharat, effect of liberalisation, mobilisation of resources
- **Prelims** — WTO establishment, DSU structure, ITA-1/ITA-2, ALMM, PLI Solar outlay, India’s 500 GW non-fossil target, Panchamrit at COP-26

**FACTS CORNER**

WTO established: January 1, 1995, under the Marrakesh Agreement (1994)

WTO HQ: Geneva, Switzerland; 166 members (Comoros 165th, Aug 21, 2024; Timor-Leste 166th, Aug 30, 2024)

Director-General: Ngozi Okonjo-Iweala (since March 1, 2021)

India: Founding member of WTO

Dispute Settlement Understanding (DSU): Article 6 – panel automatically established at the second request

India's BCD on solar modules: 40% (from April 1, 2022)

India's BCD on solar cells: 25% (from April 1, 2022)

ALMM: Approved List of Models and Manufacturers, notified by MNRE

PLI Solar outlay: ₹24,000 crore (₹4,500 cr Phase I + ₹19,500 cr Phase II)

India's 2030 non-fossil capacity target: 500 GW (Panchamrit, COP-26 Glasgow, November 2021)

China's share of global solar PV value chain: over 80%

WTO Information Technology Agreement: ITA-1 (1996), ITA-2 (2015) – India is party to ITA-1 only

WTO Appellate Body: Dysfunctional since December 2019 (US blocking appointments)

Sources: [WTO](#), [PIB](#), [Ministry of Commerce](#)

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