

Trump Terminates GSP to India, Affects \$260mn Exports, Claims India Denies US “Access to Market”

President Donald Trump has terminated India’s designation as a beneficiary developing nation under the key GSP trade programme after determining that it has not assured the US that it will provide “equitable and reasonable access to its markets.” The Generalized System of Preference (GSP) is the largest and oldest US trade preference programme and is designed to promote economic development by allowing duty-free entry for thousands of products from designated beneficiary countries.

“I have determined that India has not assured the US that it will provide equitable and reasonable access to its markets. Accordingly, it is appropriate to terminate India’s designation as a beneficiary developing country effective June 5, 2019,” Trump said in a proclamation on Friday, ignoring the plea made by several top American lawmakers as it will cost American businesses over \$300 million in additional tariffs every year.

On March 4, Mr. Trump announced that the US intends to terminate India’s designations as a beneficiary developing country under the GSP programme. The 60-day notice period ended on May 3.

The Trump administration has prioritised working with the Government of India to ensure that US companies have a level-playing field, a senior State Department official told reporters on Thursday, hours after Narendra Modi was sworn in as Prime Minister for a second time following his spectacular electoral victory in the general elections.

Under the GSP programme, nearly 2,000 products including auto components and textile materials (specially handlooms) can enter the US duty-free if the beneficiary developing countries meet the eligibility criteria established by Congress.

India was the largest beneficiary of the programme in 2017 with \$5.7 billion in imports to the US given duty-free status and Turkey the fifth largest with \$1.7 billion in covered imports, according to a Congressional Research Service report issued in January.

(Turkey was in the hit list on account of rising to middle income country status from Developing Country Status).

Reacting to the news of US withdrawal of GSP benefits to India from 5th June, 2019, Mr Ganesh Kumar Gupta, President, FIEO, the apex body of exporters, said that India's exports to the US during 2018 were USD 51.4 billion. But out of USD 6.35 billion value of exports from India to US under the GSP scheme, net benefit to the tune of only USD 260 million were availed by the Indian exporters. It claimed that the impact of GSP withdrawal would be "minimal". However, in respect of products having GSP benefits of 3% or more, exporters will find it difficult to absorb the GSP loss.

Most affected sectors would be: (I) Imitation jewellery (average GSP benefit 6.9%), (II) Leather Articles (other than footwear) (average GSP benefit 6.1%), (III) Pharmaceuticals & Surgical (average GSP benefit 5.9%), (IV) Chemical & Plastics (average GSP benefit 4.8%) and (V) Agriculture: Basic & Processed (average GSP benefit 4.8%) said FIEO President.

Mr Gupta said that GSP withdrawal would also affect US manufacturers, who benefitted from it on imports of parts and components, as well as US consumers.

It will also indirectly benefit China. In the first two months of 2019, GSP imports from India are up significantly for products on the Section 301 lists, but down for products where China does not face new tariffs. For India, 97 per cent of increased 2019 GSP imports are on the China Section 301 lists. GSP imports on Section 301 lists increased by 18 %, while imports of everything else increased by just 2%.

Source: The Economic Times