US Withdraws GSP for India

The US has announced that it will terminate India's designation as a beneficiary of its **Generalized System of Preferences (GSP) from June 5, 2019**.

What is GSP?

- The idea of granting developing countries preferential tariff rates in the markets of industrialized countries was originally presented at the first **United Nations Conference on Trade and Development (UNCTAD)** conference in 1964.
- The GSP was adopted at UNCTAD in New Delhi in 1968 and was instituted in 1971.
- There are currently **13 countries** which **grant GSP preferences to developing and least developed countries: Australia, Belarus, Canada, the European Union, Iceland, Japan, Kazakhstan, New Zealand, Norway, the Russian Federation, Switzerland, Turkey and the United States of America**.
- **GSP is the largest and oldest U.S. trade preference program. Established by the Trade Act of 1974,** GSP promotes economic development by eliminating duties on thousands of products when imported from one of 120 designated beneficiary countries and territories.

Impact of GSP Withdrawal

- **India has been the biggest beneficiary of the GSP regime.**
- In 2018, **$6.3 billion** of Indian merchandise exports to U.S. were covered by GSP.
- The sectors which could face the impact of withdrawal of GSP regime are **gem and jewellery, leather and processed foods**.
- However, India has said that **the impact is "minimal", given that Indian exporters were only receiving duty-free benefits of $190 million on the country's overall GSP-related trade of $5.6 billion**.
- This could impact India's competitiveness in items groups such as raw materials in the organic chemicals sector and intermediary goods in the US market, alongside items such as iron or steel, furniture, aluminum and electrical machinery.
- The **impact on small industries in the country could be significant**. Such industries would lose their market share in the U.S. without fiscal support to help them maintain their edge.

Why GSP was Revoked?

- Due to a series of decisions taken by the Indian government has led to trade friction between two countries:
  - India's new e-commerce rules — which have impacted American companies like Amazon and Walmart (majority owner of Flipkart).
  - **Price controls on medical devices (cardiac stents).**
  - **Tariffs on products like smart watches** and high-end mobile phones.
  - **Lack of greater market access for the U.S. dairy industry.**