

ERGO

Analysing developments impacting business

US REVOKES PREFERENTIAL STATUS FOR INDIA EFFECTIVE FROM 5 JUNE 2019

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Introduction

United States (US) by way of a Presidential Proclamation dated 31 May 2019 has revoked, effective from 5 June 2019, the 'beneficiary developing country' status accorded to India under the 'Generalised System of Preferences' (GSP) since 1975. This move follows on the heels of the revocation of the preferential status for Turkey, sanctions placed on imports from Mexico and Canada and their subsequent roll-back. The US has proclaimed that revocation of the preferential status for India was motivated by the reason that India did not assure the United States that the former will provide equitable and reasonable access to its markets.

Revocation of preferential status is operationalised in the following ways:

- Imposition of safeguard measures on imports of certain crystalline silicon photovoltaic (CSPV) cells, whether or not partially or fully assembled into other products (including, but not limited to, modules, laminates, panels, and building-integrated materials) (CSPV products) and large residential washers.
- Imposition of tariffs as applicable to most favoured nations on imports, and non-applicability of the GSP (zero or reduced) tariff rates enjoyed due to the preferential status holders. For example, effective from 5 June 2019 if India exports precious / semi-precious stones (falling under HSN Code 71031029 / 71031019) to US it would attract 10.5% of import duty as opposed to nil rate of duty enjoyed by the imports from nations holding GSP status.

Background

The GSP status was given to India on 24 November 1975 by way of an Executive order under the (United States) Trade Act of 1974 in recognition of India's status as a developing economy. Under the US-GSP, about 3569 line-items (at US Tariff 8 digits level) are eligible to duty free entry. It was estimated that in the year 2018, Indian exporters enjoyed GSP benefits for over 100 products valuing at US\$945 million exported to US.

The office of the President of US had put India and the US Congress on notice by issuing a proclamation on 4 March 2019 wherein it indicated the intention to review the preferential status given to India and the withdrawal thereof. Subsequent to this India responded by giving a detailed explanation on the measures to provide market accessibility to US exporters. However, the same was rejected and the preferential

status that was bestowed upon India is sought to be revoked from 5 June 2019 onwards. Upon revocation the direct impact would be the increase in the costs of the underlying products making such imports from India non- competitive.

Comments

By virtue of the withdrawal of the GSP status for India, the direct impact would be felt in terms of the reduced market opportunities for exports into US. The largest beneficiaries (exports exceeding US\$ 50 million) of GSP had been exporters of monumental building stones (6802.93.00), hand-hooked carpets (5703.10.20), carpets and floorings (5703.90.00), jewellery (7113.19.29), menthol (2906.11.00) and oleoresin extracts (3301.90.10). Withdrawal of GSP by US is likely to hit hard on many exporters as their businesses may be wholly US centric.

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