



United States Revokes India's GSP Beneficiary Status for Key Products

November 02, 2018

Summary

India's status as a program-beneficiary under the United States' Generalized System of Preference ("GSP") has been drastically curtailed. Several benefits have been withdrawn – predominantly in the chemicals, agricultural and textiles sector.

What is the GSP scheme?

Under the GSP program of the United States, products from 120 beneficiary developing countries and territories can enter the United States without any tariffs at the border. To qualify for GSP, a beneficiary country has to meet certain eligibility criteria established by United States' Congress, including providing adequate and effective intellectual property protection, and providing the United States with equitable and reasonable market access.

India has been the largest recipient of the benefits provided under this scheme; accounting for approximately 25% of the total US imports under GSP.¹

Background of the Present GSP Review

In April 2018, the USTR initiated a GSP eligibility review of India based on concerns related to its "GSP market access criterion". Further, two petitions filed by the U.S. dairy industry and the U.S. medical device industry also requested a review of India's GSP benefits. The petitions had raised concerns of trade barriers implemented by India that were affecting U.S. exports into these sectors in the Indian market. As a result of these petitions as well as the GSP self-initiated review, the USTR reviewed India's compliance with the GSP market access criterion.

Impact of the Executive Order

For the specific products involved, the US was an important market, accounting for nearly 15% of the global exports for these products from India in the year ending March'18.

It is important to bear in mind that the GSP beneficiary status given to India on the affected products (now revoked) was not pursuant to the United States' commitment under the WTO; but rather was an exercise of sovereign authority.

India was negotiating the GSP and other issues relating to market access; but clearly the negotiations did not proceed as planned. Seemingly India's position on data localization, medical devices, and limited access of India's dairy market were unacceptable.

To see how the new GSP list may affect your business, especially if your business has used preferences under this scheme in the past, please see: <https://www.federalregister.gov/documents/2018/10/31/2018-24032/to-modify-the-list-of-products-eligible-for-duty-free-treatment-under-the-generalized-system-of>

Economic Laws Practice has been monitoring India's GSP review since its initiation.

Regards,

ELP International Trade & Customs Team

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¹ <https://www.thehindubusinessline.com/news/world/us-announces-gsp-eligibility-review-of-india/article23521921.ece>