Withdrawal of U.S.'s Trade Concessions to India

Why in news?

The U.S. could possibly remove India from the Generalised System of Preferences (GSP) list.

What is the Generalised System of Preferences?

- The GSP is a U.S. trade program designed to promote economic growth in the developing world.
- GSP was instituted in 1976 by the Trade Act of 1974.
- It provides preferential duty-free entry for up to 4,800 products from more than 120 designated beneficiary countries and territories.
- It was extended to India in 1976, under which India is able to export about 2,000 product lines to the U.S. under zero tariff.
- The revocation of the GSP will have a significant impact on Indian exporters.

What is the U.S.'s rationale?

- The proposal comes in a series of measures taken by the Trump administration against India to reduce U.S.'s trade deficit with India.
- President Donald Trump is concerned with the “unequal tariffs” from India, as the trade relationship is in favour of India.
- Notably, Indian exports to the U.S. in 2017-18 stood at $47.9 billion, while imports were $26.7 billion.
- The U.S. has been imposing tariffs on several Indian products since March 2018.
- The USTR (U.S. Trade Representative) also parallelly began a review of India’s GSP status.
- This was after receiving complaints of trade barriers from India, from the dairy industry and manufacturers of medical devices.
- India's decisions on data localisation for all companies operating in India and tightening norms for FDI in e-commerce have aggravated the situation.
- Recently, the U.S. withdrew GSP status on at least 50 Indian products.

What was India's response?

- In retaliation to US restrictions, India earlier proposed tariffs of about $235 million on 29 American goods.

- But it has put off implementing these, five times in the past year, in the hope that a negotiated trade settlement will come through.
- The latest deadline on implementation of the proposals expires on March 1, 2019.
- Despite several rounds of talks between officials over the past few months, there is no breakthrough.
- Besides, India has also attempted to address the trade deficit, with purchase of American oil, energy and aircraft.

What lies ahead?

- Both sides should work towards calling a halt to trade hostilities and speed up efforts for a comprehensive trade "package".
- This would address the concerns of both sides much better than the measures to match each concern product by product.
- India must be aware of the larger, global picture about U.S.-China trade war issues as well.
- If a trade deal with the U.S. is reached, India could be the biggest beneficiary of business deals lost by China.

Source: The Hindu

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