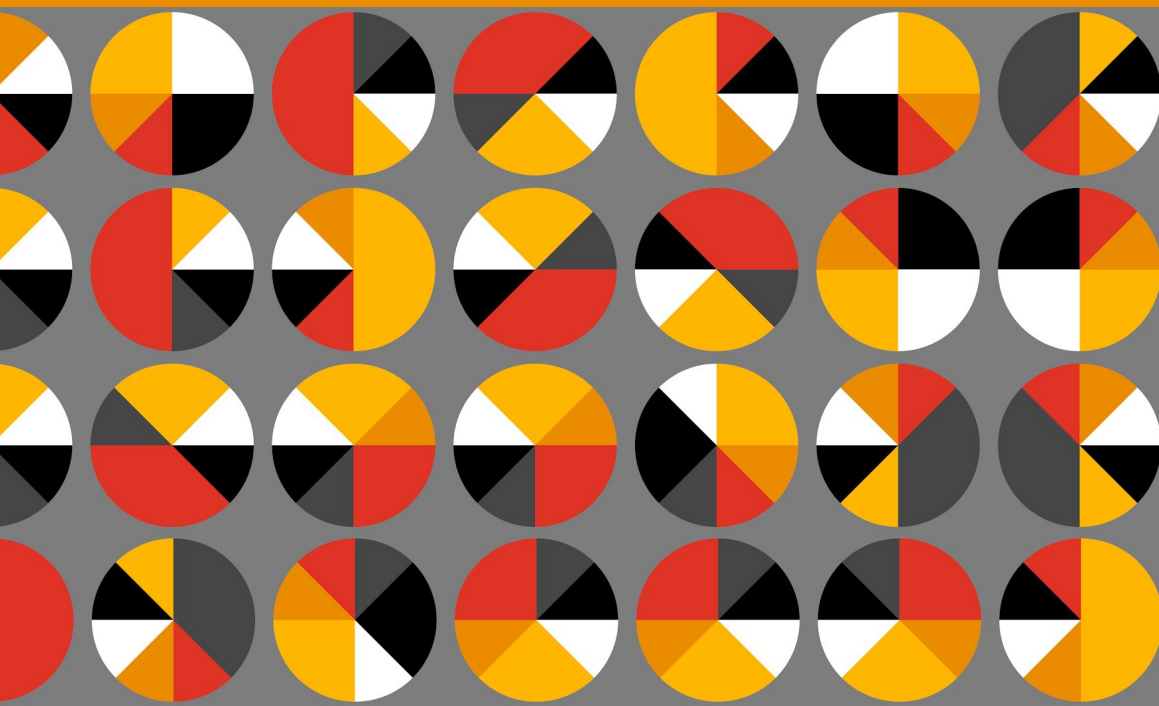


# United States: President Trump terminates India's preferential status under the GSP program

June 2019



## In brief

By proclamation issued May 31, President Trump announced that the United States has terminated India's designation as a beneficiary developing country under the Generalized System of Preferences (GSP) program. Following implementation of this directive, goods previously imported into the United States from India under GSP no longer will be eligible to enjoy duty-free treatment.

The proclamation follows the United States Trade Representative (USTR)'s March 4 announcement that the United States intended to terminate India's and Turkey's designations as beneficiary developing countries under the GSP program. President Trump issued a proclamation on May 16 that terminated Turkey's designation. For prior coverage, see PwC Insights, [President Trump terminates Turkey's preferential status under the GSP program, May 16, 2019](#).

## In detail

The GSP program was established by the Trade Act of 1974 in order to promote economic growth among developing countries by providing duty-free access to a selection of commodities into the American market. GSP is a unilateral Free Trade Agreement between the United States and 120 beneficiary countries. Commodities eligible for GSP include motor vehicle parts, jewelry, electric motors, and textiles.

Preferential treatment under GSP has provided a variety of industries within these beneficiary countries access to the US market, with a mutual benefit of reducing the landed costs of these imported commodities for American businesses. The United States annually imports over US\$ 23 billion worth of goods subject to preferential treatment under GSP. India is the largest beneficiary of the GSP program; the American market consumes about US\$ 6 billion worth of Indian goods imported under GSP, representing about 11% of India's US\$ 54.4 billion of US exports.

The products most affected by the termination of India's preferential GSP status include:

- automobile parts
- pipe fittings and valves
- handbags, wallets, and other cases
- engine components
- iron and steel products
- chemical products.

The United States had launched an eligibility review of India's compliance with GSP market criterion in April 2018. The USTR notice announcing the planned termination of India's benefits concluded that the country "has implemented a wide array of trade barriers that create serious negative effects on United States commerce," and as a result was determined no longer to be eligible for the program.

By law, such changes may not take effect until at least 60 days following notification to Congress and the government of the affected countries. As the President notified Congress and India on March 4, 2019, pursuant to the May 31 proclamation the revocation of India's GSP benefits will take effect June 5, 2019.

## The takeaway

American companies engaging in business with Indian manufacturers need to review their duty exposure in light of the May 31 proclamation. US businesses with a significant exposure to cost increases as a result of this development should take inventory of their current stock and prepare for the immediate future by reassessing supply chains on the basis of potential duty exposure and overall cost.

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## Let's talk

For a deeper discussion regarding GSP and how your business may be able to offset the termination of preferences for India, please contact the following:

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