Press Release:

India might counter US move on GSP withdrawal: TPCI

- Industry estimates USD 290 million additional burden on USA on items exported to India

New Delhi, 3rd June 2019: India is firmly planning to counter the US decision to withdraw GSP on Indian goods by imposing retaliatory tariffs from the coming month, said Trade Promotion Council of India (TPCI), today.

Chairman TPCI, Mohit Singla said, “India might counter the US decision to withdraw GSP on its exports by imposing retaliatory tariffs from the coming month. If the Indian government goes ahead with retaliatory tariffs, twenty-nine items imported from the US, including walnuts, lentils, boric acid and diagnostic reagents, among others will face higher duties, cutting benefits to US exporters. The Industry estimates, this move will impose an additional burden of **US $ 290 million** per year on US items exported to India.”

Singla further said, “The large difference between India’s actual average tariffs and its MFN trade-weighted applied average tariffs arises primarily because of the several exemptions and concessions that the country provides on its MFN tariffs. Despite these concessions, people in general continue to think of India as a high tariff economy, which is a false assumption”.

With respect to the withdrawal of GSP benefits to India on most of the tariff lines (1784 tariff lines), Singla Said, “India is a robust market and its economic fundamentals are on sound. The withdrawal of GSP will not make much difference as Indian exports are all geared to take this challenge. Even the US was benefiting from the GSP regime, since the intermediary inputs provided by India helped keep its industry competitive.” This withdrawal of GSP is only going to inject the estimated, additional burden of USD 190 million, which is miniscule compared to India overall export to US, he added.

India was the largest beneficiary of the GSP program in 2017 with US$ 5.7 billion in imports to the US given duty-free status. Turkey was the fifth largest with US$ 1.7 billion in covered imports. Even the US stands to benefit from the GSP regime, since the intermediary inputs provided by India help keep its industry competitive.

India's top exports to the US under GSP in 2017 included; motor vehicle parts, ferro alloys, precious metal jewellery, building stone, insulated cables, leather products, garment (marginal) and wires. Out of US$ 36 billion of exports to the US by India, **US$ 5.7 billion** worth of exports will be affected, marginally impacting US trade deficit with India.

India's trade surplus for merchandise goods with the USA is around **US$ 18-19 billion**. Also, most of the exports are of intermediate goods not produced in the US.

From 2015 to 2017, imports of capital goods (machinery, equipment, aircraft, semiconductors, engines, tractors, etc) and industrial equipment (lumber, chemicals, aluminium and copper, iron and steel, cotton and wool, plastics, fuels, etc) together accounted for 55% of the total imports of USA. Notably, over half of what enters the US as imports constitutes orders from US companies (e.g. manufacturers) for equipment, supplies, raw materials, commodities, and other imports that serve as direct inputs into the production process that takes places in American factories and businesses that employ millions of American workers.

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