

1. India mulls retaliatory tariffs after US ends preferential trade status

- How is India responding to US decision?
- What is Generalized System of Preferences?
- What were the significances of GSP for India?
- Why India is becoming a concern for US?

GS paper 2 (Effect of policies and politics of developed and developing countries on India and its interests)



In this video, you can find detailed answers for all the above questions.

The above article has been retrieved from:

N.A. (2019, June , 5). India mulls retaliatory tariffs after US ends preferential trade status. Business Today. Retrieved from <https://www.businesstoday.in/current/economy-politics/india-commerce-ministry-retaliatory-tariffs-duty-free-exports-us-ends-preferential-trade-status/story/353660.html>

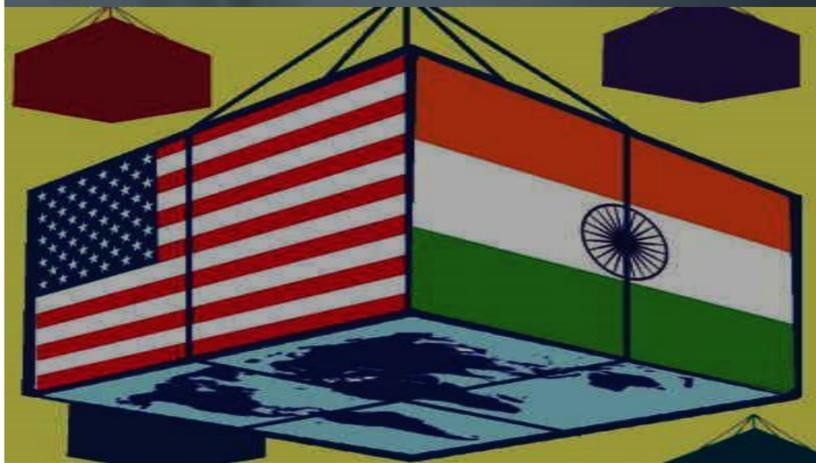


What is the context about?

President Donald Trump has terminated the United States preferential trade program with India

While India is only the United States' 9th largest goods trading partner, its massive market presents a prize that US businesses can scarcely afford to ignore. But the Indian government imposed restrictions this year that made it harder for many of those companies to do business in the country.

On March 4, Donald Trump announced that the United States intends to terminate India's designations as a beneficiary developing country under the GSP program and the 60-day notice period ended on May 3.



How is India responding to US decision?

- India needs the United States, as currently, it is India's second-largest trading partner after China. It has postponed tariffs on US goods worth more than \$200 million several times in recent months, a retaliation for US tariffs on Indian Steel and Aluminum imposed last year, as it continues to try and find a resolution.
- India has called the US move to end its trade exemptions "unfortunate," but said it would continue to try and fix bilateral ties.
- India views this issue as a part of this regular process and will continue to build on our strong ties with the US.



What is Generalized System of Preferences?

- Generalized System of Preferences (GSP) refers to the preferential tariff system extended by developed countries to developing countries to allow concessional low/zero tariff imports from developing countries.
- Developed countries including the United States, European Union, United Kingdom, Japan, etc., gives GSPs to imports from developing countries.
- It involves reduced/zero tariffs of eligible products exported by beneficiary countries to the markets of GSP providing countries.



What were the significances of GSP for India?

- **Economic Growth:** It adds to the economic growth and development of the beneficiary country by helping in diversifying the trade relations with the developed nations.
- **Competitiveness:** Moreover, GSP brings competitiveness in the economy by reducing the cost of imported inputs of companies to manufacture goods.
- **Employment Generation:** GSP helps in increasing employment opportunities for farmers, manufacturers, importers, consumers.



Why India is becoming a concern for US?

- **A High Tariff on its Products:** India's high tariff on Harley Davidson is a major concern for the US. And also during the last two years, the country also raised tariffs on several manufactured products, such as mobile phones and auto parts.
- **Trade Deficit:** As per the United States, it runs a substantial trade deficit to the tune of \$27.3 billion in 2017 with India. Another problem is India's protectionist impulses, especially in agriculture.
- **IPR Regime:** Further, India's intellectual property rights (IPR) regime has been a source of concern for the United States for a long time.

DAILY NEWS ANALYSIS

1

1

2

3

2