

Generalized System of Preferences (GSP)

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- It is a preferential tariff system extended by developed countries to developing countries which allows zero tariff imports from developing countries.
- The primary objective of GSP is to give development support to poor countries by promoting exports from them into the developed countries.
- The GSP of the US provides preferential duty-free entry for up to 4,800 products from 129 designated countries.
- According to World Bank data, India is currently the largest beneficiary of the GSP programme.

Legal Basis

- "Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries", was adopted under GATT in 1979 and it enables developed members to give differential and more favourable treatment to developing countries.
- This Enabling Clause is the WTO legal basis for the Generalized System of Preferences (GSP).
- Under the GSP, developed countries offer non-reciprocal preferential treatment (such as zero or low duties on imports) to products originating in developing countries.
- Preference-giving countries unilaterally determine which countries and which products are included in their schemes.

What is GSP then?

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- The Enabling Clause officially called the “Decision on Differential and More Favourable Treatment, Reciprocity and Fuller Participation of Developing Countries”, was adopted under GATT in 1979 and enables developed members to give differential and more favourable treatment to developing countries.
- The Enabling Clause is also the legal basis for regional arrangements among developing countries (e.g.: RCEP) and for the Global System of Trade Preferences (GSTP), under which a number of developing countries exchange trade concessions among themselves.

Current update:

On February 10, the U.S. removed more than a dozen countries, including India, from its list of countries that are classified as “developing” for trade purposes.

What is the “developing country” status according to USTR?

- The office of the United States Trade Representative (USTR) maintains a list of countries that the USA classifies as “developing”, “developed”, and “least-developed”.
- The “developing country” status owes its origin to the U.S. Trade Act of 1974, which authorised the Generalized System of Preferences (GSP) to help poor countries develop faster.
- Those countries that have been tagged as developing

countries will get the benefits that are available under the GSP provision.