

What is Generalized System of Preferences (GSP)?

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About Generalized System of Preferences (GSP):

- It was instituted in 1971 under the **aegis of the United Nations Conference on Trade and Development (UNCTAD)**.
- It is a **voluntary trade measure** implemented **by developed countries** that **provides an advantageous , or “preferential”, tariff treatment to imports from developing countries**.
- The preferences are in **the form of** either **elimination or reduction in customs duty** when the list of eligible products from the beneficiary developing country (BDC) is exported to the developed country.
- However, **an exporter** under the GSP **is required to fulfil the rules of origin** under the GSP scheme. The rules of origin are the criteria required to ensure that the product exported originates from the country of export and is not being diverted from another country.
- The GSP is a **unilateral customs duty preference scheme** i.e. there is **no need for** India or other **BDCs to provide reciprocal customs duty preferences** for the developed country.

- The **major countries who grant GSP** preferences to developing countries **are** Armenia, Australia, Azerbaijan, Belarus, **Canada, European Union (EU), Japan**, Kazakhstan, Kyrgyz Republic, New Zealand, Norway, **Russian Federation, Switzerland**, Tajikistan, Turkmenistan, Turkey, **United Kingdom (UK), United States (US)**, and Uzbekistan.
- **Each** of these developed countries **has its own regulatory frame work under which it provides the GSP** tariff preferences.
- The GSP provided **also varies in terms of the products** on which preferences are provided **and the developing countries exports to** which the tariff preferences are granted.
- In terms of trade volumes, the **GSPs granted by the EU and the US** are the **most comprehensive** and, hence, the most important for developing countries.
- **Some of the GSP** schemes **also provide additional tariff preferences to a specified class of developing countries**, with most providing the largest coverage of GSP customs duty preferences to exports from **Least Developed Countries (LDCs)**.

India is one of the **primary beneficiaries** in terms of export volume realized under the GSP. **Around 40% of India's exports to the EU** are **under the EU GSP**, while **prior to the USGSP withdrawal**, around **10% of India's total exports to the US** were under the GSP.

Q1: What is the United Nations Conference on Trade and Development (UNCTAD)?

It is the UN's leading institution dealing with trade and development. It is a permanent intergovernmental body established by the United Nations General Assembly in 1964. Its objective is to assist developing countries, especially the least developed countries, and countries with economies in transition, to integrate beneficially into the global economy. It also seeks to help the international community promote a global partnership for development, increase coherence in global economic policy making, and assure development gains for all from trade.

Source: Renew the generalised system of preferences

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