



GENERALISED SCHEME OF PREFERENCES “GSP” - COST-EFFECTIVE SHIPMENTS TO THE EUROPEAN UNION

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ABSTRACT

The Generalised System of Preferences (known as GSP for short) is a scheme whereby a wide range of industrial and agricultural products originating in certain developing countries are given preferential access to the markets of the European Union. Through this paper it is an attempt to explore complete benefits and process to obtain GSP. This paper is knowledge enhancer to exporter who exports their goods to Europeans country.

KEYWORDS: Generalised System of Preferences (GSP), preferential tariffs, European Union, India's exports.

Introduction

Preferential treatment is given in the form of reduced or zero rates of customs duties. The GSP scheme is specifically designed to benefit certain developing countries and integrate them into the world economy. A Certificate of Origin Form “A” is the documentary evidence required to claim preferential treatment (reduced or zero rate of duty) on importation into the EU. The Generalized System of Preferences, or GSP, is a preferential tariff system which provides for a formal system of exemption from the more general rules of the World Trade Organization (WTO), (formerly, the General Agreement on Tariffs and Trade or GATT). Specifically, it's a system of exemption from the most favoured nation principle (MFN) that obliges WTO member countries to treat the imports of all other WTO member countries no worse than they treat the imports of their "most favored" trading partner. In essence, MFN requires WTO member countries to treat imports coming from all other WTO member countries equally, that is, by imposing equal tariffs on them, etc. GSP exempts WTO member countries from MFN for the purpose of lowering tariffs for the least developed countries, without also lowering tariffs for rich countries.

Generalized System of Preferences (GSP) is a preferential tariff system extended by developed countries (also known as preference giving countries or donor countries) to developing countries (also known as preference receiving countries or beneficiary countries). It involves reduced MFN Tariffs or duty-free entry of eligible products exported by beneficiary countries to the markets of donor countries.

The EU's "Generalised Scheme of Preferences" (GSP) allows developing countries to pay less or no duties on their exports to the EU. This gives them vital access to EU markets and contributes to their economic growth.

Review

Pillanie (2008) made an explorative study of “Indian foreign trade”. The author with statistics explains how India's foreign trade has progressed over the last sixty years since independence. He reported that in terms of composition, export was dominated by manufactured goods and services. He concluded that there is huge untapped potential for foreign trade in years to come.

Dr. H.A.C. Prasad (2012) studied “Emerging Global Economic situation: Its impact on India's Trade and some Policy Issues”. Author of this paper is Dr. H.A.C. Prasad, Senior Economic Adviser, Ministry of Finance on “Emerging Global Economic Situation: Its impact on India's Trade and some Policy Issues” is very topical given the falling growth rate of exports in the current global situation.

Pushpalata (2014) studied “Performance of Foreign Trade in India in the Post Liberalisation Era”. As a result of long term poor economic performance under protectionist policies, many developing countries including India started removing their barriers to international trade in late 1980s with an aim to improve economic development of the country. This study analysed the trend and composition of foreign trade since 1991 and also to analyse the impact of trade on the economic growth of India.

Vivian C. Jones (2015), “Generalized System of Preferences Background and Renewal Debate”- This report presents, first, recent developments and a brief history, economic rationale, and legal background leading to the establishment of the GSP.

Objectives:

Main Objectives are:

- To create awareness among exporter of India to the GSP.
- To facilitate export community for process for taking GSP (Form A) from authority in India.

Methodology

Research methodology is a systematic way to search or research a problem. It is a science of studying how research is to be carried out. Essentially, the procedures by which researchers go about their work of describing, explaining and predicting phenomena are called research methodology. It is also defined as the study of methods by which knowledge is gained. Its aim is to give the work plan of research.

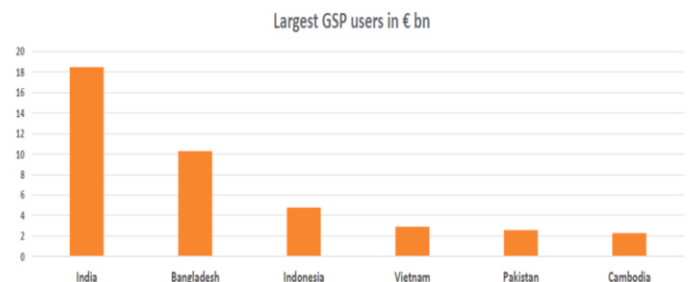
This study is an explanatory research. This study is based on secondary data. The required data have been collected from various sources i.e. WTO, EEPIC India etc.

Benefits of GSP

- Indian exporters benefit indirectly - through the benefit that accrues to the importer by way of reduced tariff or duty free entry of eligible Indian products.
- Reduction or removal of import duty on an Indian product makes it more competitive to the importer - other things (e.g. quality) being equal.
- This tariff preference helps new exporters to penetrate a market and established exporters to increase their market share and to improve upon the profit margins, in the donor country.

Currently 30 countries have the benefits:

Botswana, Cameroon, Colombia, Republic of Congo, Cook Islands, Coted'Ivoire, Fiji, Ghana, Honduras, India, Indonesia, Iraq, Kenya, Kyrgyzstan, Marshall (Islands), Micronesia (Federate States of), Namibia, Nauru, Nicaragua, Nigeria, Niue, the Philippines, Sri Lanka, Syria, Swaziland, T ajikistan, Tonga, Turkmenistan, Ukraine, Uzbekistan, Vietnam.



India will benefit from GSP for all products covered by the system except: Mineral products (Section 5), inorganic and organic chemicals (Section 6a), chemicals, other than organic and inorganic chemicals (Section 6b), raw hides and skins and leather (Section 8a), textiles (Section 11a), road vehicles, bicycles, aviation & space, boats and their parts (Section 17b)

Process to obtain preferential treatment

Certain products on importation into the EU are eligible for reduced or zero rates of customs duties provided that they: are eligible for preference under the GSP scheme; qualify as originating products under the rules of origin set down in the Community Customs Code Implementing Provisions; are transported directly from the GSP country to the EU (fulfill the Direct Transport Rule); are accompanied by a valid Certificate of Origin Form A or, provided the value of the consignment is less than €6,000 are accompanied by an Invoice Declaration;

The Form A must be submitted, to the customs authority of the importing Member State, within 10 months of the date of issue. However, the customs authority in the Member State may accept a Form A which has passed its expiry date where failure to observe the time limit is due to force majeure or exceptional circumstances. In exceptional circumstances, a Certificate of Origin Form A may be issued after the actual exportation of the goods to which it relates. In this case, the competent authority in the exporting country must endorse Box 4 of the Form A with the words "Issued Retrospectively".

Below three stages has been described for obtaining GSP.

Proof of origin

In the same way that a passport is evidence of the nationality of a person, an origin certificate is evidence that the goods have satisfied the rules of origin and is evidence of the economic nationality of a product.

Five steps to determine the origin of a good

1. Find out whether your product is "wholly obtained".
2. Find out which 4-digit heading of the HS Nomenclature covers the product you are exporting.

If in doubt, turn to your customs authorities or relevant national authorities dealing with issuance of Certificate of Origin -Form A

3. Determine whether the working or processing which has been carried out in your country is among the operations listed in Article 78.

If so, the product cannot obtain originating status

4. Turn to Annex 13b and identify the rule for your product. Read the accompanying notes carefully, and make sure you understand them.
5. Determine whether your product satisfy a relevant rule from the list in the Annex 13b.

Preferential origin

Products originate in a particular beneficiary country if they are: Wholly obtained in that country or Products are wholly obtained in a particular beneficiary country if only that country has been involved in their production. Even the smallest addition or input from any other country disqualifies a product from being "wholly obtained". It is not enough to show that the materials or parts were purchased locally. You must get from your local supplier a statement about the origin of the goods he has supplied.

Grown in India

Processed in India

Indian origin



Sufficiently worked or processed there

Non-originating materials used (in practice: the materials imported into the beneficiary country) have undergone "sufficient working or processing";

Grown in India

Processed in India

Thread (Chinese origin)



Indian origin



Analysis and Interpretations

The analysis of the EU scheme shows that it has made a modest contribution to the original objectives of the GSP in respect of developing countries covered by the standard GSP, including India. The benefits have, however, been constrained by the shallow cuts in tariffs for important products, product/sector graduation and the deeper and wider preference for GSP+ countries and LDCs.

The reduction of MFN tariffs after successive rounds of multilateral trade negotiations has diminished the value of the GSP concessions. If the current trade talks are eventually successful, the general level of MFN tariffs will be in the range of 3-4 per cent, rendering preferential tariffs even less consequential.

Conclusions:

A review of the implementation of the European Union scheme of preferential tariffs for developing countries under the Generalized System of Preferences during the past forty years shows that the scheme has made at best a modest contribution towards increasing the export earnings of India and other beneficiary countries covered by the standard GSP. The GSP scheme of the EU countries has served to stimulate mildly India's exports of manufactured products in the long-term and, despite limitations, it seems to have had more than borderline utility for India. In the EU, the limiting factor is shallow reduction of tariff in sensitive categories, particularly textiles and apparel on which only a 20 per cent concession is available. Sector/country exclusion in the EU scheme is another feature that affects India adversely. It would appear from the foregoing analysis that the EU scheme has made some contribution to the original objectives of the GSP in respect of developing countries covered by the standard GSP, including India. However, these benefits are somewhat modest, constrained as they are by the shallow cuts in tariffs for important products, product/sector graduation, deeper and wider preference for GATT+ countries and LDCs.

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