

Chairman's Pen

My dear fellow exporters,

The EU Regulation (EU) No. 1213/2012 dated December 17, 2012 suspends the Motor vehicles, bicycles, aircraft and space craft, ships and boats from the benefit of GSP with effect from January 01, 2014.

This suspension has been done on the basis of a 'graduation' exercise that is carried out when EU GSP Scheme is revised (normally after 3 years). It is presumed that the 17.5% threshold limit of these engineering products have been calculated correctly by EU. Further, the EU had notified this scheme in December 2012, which they say should give the affected countries time to adjust themselves. Normally, the EU's rules are procedure bound in such matters and they may not accept our position to defer the implementation. However, EEPC India has requested Government of India to send a demarche to the EC seeking that this suspension be deferred till the time EU-India BITA is negotiated and sorted out.

With regard to the impact of the suspension, I wish to state the following :

Total exports from India to EU countries of these products amounted to US\$ 2.2 billion in 2012-13. This amounts to 20.2% of US\$ 10.79 billion of total engineering exports in 2012-13. It may be mentioned that 2012-13 was a negative growth year and our engineering exports fell by 2.89% in 2012-13.

Once the GSP benefit is suspended, the average import duties would be as follows :

- **Bicycles** : *The present GSP Duty is 10.5% and this rate will go up to 14% and 15% respectively for two tariff lines. Thus, around US\$ 6 to 8 million of Bicycle exports is likely to be affected. However, in the bicycle sector, India's main competitor is China and its GSP benefit in bicycle too have been suspended. Hence the bicycle industry may be able to ride this storm. However, other South Asian countries like Bangladesh, Pakistan may find it easier to compete and develop this segment;*
- **Ships and Boats** : *In certain tariff lines like Dredgers, the MFN rate of EU is zero but in certain other tariff lines, the rate will increase from zero to 1.7%. This, exports to the tune of US\$ 400 million of HS 89059090 (others) will certainly be impacted negatively;*
- **Aircraft and Spacecrafts** : *India essentially exports parts of aircrafts and similar aerial objects. The duty will increase from the present nil duty to 2.7%. Since these are high value added items, the duty will have a severe impact and exports worth US\$ 600 million will be negatively affected;*
- **Motor Vehicles** : *Here exports of motor vehicles with engine capacity between 1000 and 1500 cc, in particularly, will find their import duties being raised from the present GSP rate of 6.5% to 10% post January 1, 2014. Their exports will be affected especially as they will face competition from other auto exporting countries. Thus, exports of nearly US\$ 1 billion will face increased competition.*

Finally, we wish to point out that as more sector, graduate, it will be easier for graduation of other sectors in subsequent revision. Also, neighbouring countries who will benefit from GSP+ and EBA (Bangladesh) will be at an advantage in these sectors.

Yours sincerely,


(ANUPAM SHAH)