

Having Our Cake: Protecting Workers Abroad and Industries at Home Through the U.S. Generalized System of Preferences

Emilie M. Hafner-Burton

School of Global Policy and Strategy and Dept. of Political Science
University of California, San Diego
ehafner@ucsd.edu

Layna Mosley

Dept. of Political Science
UNC Chapel Hill
mosley@unc.edu

Robert Galantucci

Dept. of Political Science
UNC Chapel Hill
rgalant@email.unc.edu

Paper prepared for presentation at the Annual Meeting of the International Political Economy Society, Sanford, CA, November 13-14, 2015. A previous version was presented at the American Political Science Association, San Francisco, CA, September 3-6, 2015. We thank Christina Davis for detailed comments.

Abstract:

The U.S. Generalized System of Preferences (GSP) trade program—instituted in 1976—aims to promote developing country growth via market access. In 1984, in response to demands from organized interest groups, the U.S. Congress directed the President to consider countries' protections of internationally-recognized worker rights when determining whether to extend and to continue the program to potential beneficiary countries. The use and the effectiveness of these conditions are the subject of much controversy. Advocates of worker rights conditionality argue that it can forestall races to the bottom. Critics expect selective enforcement and disguised protectionism. This paper explores the extent to which each of these perspectives reflects the reality of how the U.S. executive branch operates the GSP program. Our central argument is that the structure of the GSP allows the executive branch to simultaneously take highly visible actions to appease labor and human rights groups, while also to less visibly shield U.S. firms and industries from trade competition through product level suspensions. Using a new dataset on all GSP beneficiary countries and sanctioning measures from 1986 to 2013, we demonstrate that the U.S. government tends to act sincerely at the country level in its talk of rights-based conditionality, but that its behavior at the country-product level cheapens this talk.

The U.S. Generalized System of Preferences (GSP) trade program, like its counterparts in many other developed nations, aims to promote developing country growth. The program, implemented in 1976 and still in force today, offers unilateral (rather than reciprocal) duty-free entry for thousands of products from designated beneficiary countries and territories.¹ In 1984, in response to demands from organized labor and human rights groups, the U.S. Congress directed the President to take into consideration countries' protections of internationally-recognized worker rights when determining whether the benefits of the program should be offered to potential beneficiaries, and when assessing the continuation of benefits to existing beneficiaries.² In the three decades since, the U.S. and other governments have increasingly linked trade and investment relationships with human rights.³

Advocates of worker rights conditionality argue that it can forestall races to the bottom. Their concern is that economic globalization generates tremendous competition among producers; a lack of respect for worker rights in one country generates downward pressures on labor standards -- in other countries. Linking market access with working conditions is meant to stymie downward pressures on production costs and export prices. The hope is that such linkages create incentives for developing country governments and firms to take the "high road," improving protections for human rights. For instance, in 2013, following the Rana Plaza factory collapse and the deaths of more than 1,100 workers, the Obama administration revoked Bangladesh's GSP privileges.⁴ Indeed, the ability of interest groups to petition for the removal of beneficiaries' status, and the resulting review by the United States Trade Representative (USTR), has encouraged at least some beneficiary countries to improve protections for human rights.⁵

¹ <http://www.ustr.gov/trade-topics/trade-development/preference-programs/generalized-system-preference-gsp>

² Harvey, P. J. 1995. "U.S. GSP Labor Rights Conditionality: 'Aggressive Unilateralism' OR a Forerunner to a Multilateral Social Clause?" International Labor Rights Fund: Washington, DC. Jones, Vivian C. 2014. "Generalized System of Preferences: Background and Renewal Debate." Congressional Research Service 7-5700, December. Tsogas, George. 2000. "Labour Standards in the Generalized Systems of Preferences of the European Union and the United States." *European Journal of Industrial Relations* 6(3): 349-370.

³ Jagdish Bhagwati. 1994. "Free Trade, Fairness and the New Protectionism," Occasional Paper No. 96. London: IEA; Philip Alston. 1993. "Labor Rights Provisions in U.S. Trade Law: "Aggressive Unilateralism"?. *Human Rights Quarterly* Vol.15 No.1, pp. 1-35; Lance Compa. 1993. "Labor Rights and Labor Standards in International Trade." *Law and Policy in International Business* Vol.25 No.1, pp. 165-191. Judith Kelley, 2004. *Ethnic Politics in Europe: The Power of Norms and Incentives*. Princeton: Princeton University Press; Moonhawk Kim, 2012. "Ex Ante Due Diligence: Formation of PTAs and Protection of Labor Rights." *International Studies Quarterly* 56(4): 704-719.

⁴ <http://www.ustr.gov/about-us/press-office/press-releases/2013/july/usg-statement-labor-rights-factory-safety>

⁵ Hafner-Burton, Emilie. 2005. "Trading Human Rights: How Preferential Trade Agreements Influence Government Repression." *International Organization* 59(03):593-629; Hafner-Burton, 2009.

Forced to Be Good: Why Trade Agreements Boost Human Rights. Ithaca: Cornell University Press. Michael Piore and Andrew Shrank, 2008, "Toward managed flexibility: The revival of labour

Critics of worker rights conditions, however, anticipate selective enforcement. They expect that rights-based benefit suspensions will be used insincerely, to justify the protection of politically powerful U.S. firms and industries, or to limit benefits to countries with little economic or strategic value to the U.S. Conversely, when U.S. producers rely on beneficiary countries to supply key inputs, GSP access will continue despite rights violations. Additionally, U.S. labor groups may advocate the suspension of trade benefits not only out of normative concerns for the rights of foreign workers, but also because they are materially interested in preserving jobs at home. And at the level of the U.S. government, strategic and diplomatic considerations may affect the granting of GSP status, just as they do the granting of other trade benefits and of foreign aid.⁶ Indeed, while severe human rights violations occur in many countries worldwide, full suspensions of GSP trade privileges have been rare. Since 1985, the USTR's GSP Subcommittee has recommended suspension of country-level access to the program a total of 16 times, in a program which presently includes 105 independent nations as beneficiaries.⁷

This paper explores the extent to which each of these perspectives reflects the reality of how the U.S. executive branch implements the GSP program. We consider the effect of beneficiary countries' protection for worker rights, as well as the impact of the interests of import-competing firms and users of imported intermediate products. Our central argument is that the current structure of the GSP allows the executive branch to simultaneously take highly visible actions to appease—or at least make a gesture toward—labor and human rights groups, while also to less visibly shield U.S. firms and industries from trade competition.

Specifically, the U.S. government tends to observe its 1984 legal commitment to protect workers in GSP beneficiary countries when determining whether to take country-level actions against countries in violation of internationally-recognized worker rights, but in chorus privileges the competitive concerns of its domestic firms when making decisions about product- and country-product access to GSP. Country level decisions are more visible and transparent to the public as well as to activists, while product and country-product policy changes typically escape the attention of those outside of industry; moreover, their effects on consumer welfare may be difficult to easily assess. While the U.S. government does not systematically use the worker rights provisions of the GSP to enact trade protectionism, as some fear, neither does it consider rights at the country-product level, where economics rather than moral politics drive market access, and where obfuscation serves the specific interests of firms and industry (Kono 2006).⁸

inspection in the Latin world.” *International Labour Review* 147: 1–23. Douglass, William A., John-Paul Ferguson and Erin Klett. 2004. “An Effective Confluence of Forces in Support of Workers’ Rights: ILO Standards, U.S. Trade Laws, Unions and NGOs.” *Human Rights Quarterly* 26: 273-299.

⁶ Spilker, Gabriele and Tobias Böhmelt. 2013. “The Impact of Preferential Trade Agreements on Governmental Repression Revisited.” *Review of International Organizations*.

⁷ See the General Notes to the U.S. Harmonized Tariff Schedule for a list of beneficiaries: <http://www.usitc.gov/tata/hts/bychapter/index.htm>. Also see Layna Mosley and Lindsay Tello, 2015. “The Politics of Petitions: Interest Groups and Labor Rights in the U.S. Generalized System of Preferences,” manuscript.

⁸ For a related argument on non-tariff barriers, see Kono, Daniel Y. 2006. “Optimal Obfuscation: Democracy and Trade Policy Transparency.” *American Political Science Review* 3:

To evaluate this argument, we collect new data on all GSP beneficiary countries and sanctioning measures from 1986 to 2013. We use these data, in conjunction with existing economic and political indicators, to substantiate two claims. First, in line with its legal commitments under the GSP Renewal Act of 1984, the U.S. government has been willing to revoke—or, more commonly, to threaten to revoke—GSP status on the basis of alleged rights violations, regardless of the material interests at stake. However, doing so has very modest material consequences. While the petition process allows the USTR to threaten country-level exclusion,⁹ actual exclusions are quite rare, and the average value of goods excluded based on rights grounds amounts to less than one percent of total GSP imports. Second, the U.S. government has not generally taken worker rights into account at the country-product level. Import competition largely explains the extent to which the U.S. restricts a beneficiary's access at the country-product level. And country-product coverage is where much of the real action occurs: GSP country access statutorily covers several thousand products, but most beneficiaries produce and export only a fraction of these. Suspensions based on country-product level exclusions account represent over 20 percent of the total value of goods entering the U.S. under the GSP program.

Section I briefly describes the GSP and its worker rights provisions. Section II situates our argument in the context of the debate regarding rights-related trade conditionality and the different actors with a stake in the outcome. Section III describes our new dataset and measurement techniques. Section IV reports our findings on GSP beneficiary status, sanctions at the country level and exclusions at the country-product level. We conclude in Section V.

I. The Generalized System of Preferences and Worker Rights

GSP programs, first authorized by GATT in 1965 and made permanent under the “Enabling Clause” (1979) during the Tokyo Round, allow wealthy countries to offer developing nations preferential market access, going beyond the most favored nation (MFN) treatment extended to all GATT members. The program is “general” in that all recipient nations receive the same level of market access for the same set of products.¹⁰ Beyond the requirement to exclude high-income countries from eligibility and to respect the non-discrimination principle, GATT language allows each developed nation to set the specific rules for its program. At present, nine countries plus the European Union offer GSP programs.¹¹

The stated purpose of the U.S. GSP program is to create incentives for U.S. firms to import from beneficiaries, thereby enabling developing country exports to compete in the

369-384, who argues that electoral competition generates considerable information about policies whose effects on consumer welfare are easy to explain to voters, but less information about policies whose effects are more complex.

⁹ Since 1985, the USTR has received approximately 180 petitions, based on worker rights concerns, to review beneficiaries' GSP status. It has accepted 91 of these for detailed review.

¹⁰ The GATT requires GSP programs to be generalized, nonreciprocal and nondiscriminatory. Also see Tsogas 2000.

¹¹ Details on each of these programs are at

<http://unctad.org/en/Pages/DITC/GSP/Handbooks-on-the-GSP-schemes.aspx>

U.S. market. The program currently facilitates over twenty billion dollars in imports of nearly 3,500 products¹² from 122 “beneficiary developing countries” (BDCs) as well as an additional 1,500 products from 43 countries additionally designated as “least developed beneficiary developing countries” (LDBDCs). In 2012, GSP-covered imports accounted for 6 percent of all imports from GSP beneficiary countries, and about 1 percent of total U.S. imports.

The program’s benefits to the U.S. are partly geopolitical in nature, offering a “trade as aid” mechanism for stimulating economic growth in poorer countries. The program also offers American consumers important material benefits, reducing the costs of finished consumer goods.¹³ U.S. firms which import intermediate goods also benefit; in 2012, leading imports under GSP included petroleum products, car and truck tires, and aluminum alloy plates (Jones 2014). The program also offer considerable material benefits to beneficiary countries, substantially affecting the export volumes of beneficiaries and the performance of their firms and industries.¹⁴ When a beneficiary country loses its status, exports from its affected industries fall dramatically—by an average of almost 20% in the year of exclusion, by another 20% the following year; three years later, exports are 60% below pre-exclusion levels (Blanchard and Hakobyan 2015).

These positive consequences notwithstanding, the material impact of the GSP is limited by its rules regarding country and product coverage, which undermine some of its “general” nature.¹⁵ Title V of the 1974 U.S. Trade Act, which set the rules of the GSP program, gives the executive branch authority to unilaterally waive duties on eligible products from any beneficiary country. It also gives the executive branch significant discretion in determining program eligibility.¹⁶ At the country level, high-income nations are excluded; once the World Bank has classified a country as “developed,” the USTR graduates it from the GSP.¹⁷ Additionally, countries that are communist, part of a commodity cartel, or that aid or abet terrorist groups are deemed ineligible.¹⁸

¹² Based on eight-digit Harmonized Tariff Schedule (HTS) lines.

¹³ Chamber of Commerce. 2006. “Estimated Impacts of the U.S. Generalized System of Preferences to U.S. Industry and Consumers.”

¹⁴ Salvador Gil-Pareja, Rafael Llorca-Vivero and José Antonio Martínez-Serrano. 2014. “Do Non-Reciprocal Preferential Trade Agreements Increase Beneficiaries’ Exports?” *Journal of Development Economics* 107: 291-304. Also, a great majority of least developed countries’ exports to developed countries enter under duty-free schemes; in 2011, these accounted for (excluding arms and oil) 83 percent of least developed country exports to developed nations. Jones 2014.

¹⁵ Baldwin, R., and T. Murray, “MFN Tariff Reductions and LDC Benefits under the GSP,” *The Economic Journal*, 87:345, 1977, 30-46. MacPhee, C., and D. Rosenbaum, “The Asymmetric Effects of Reversible Tariff Changes under the United States GSP,” *Southern Economic Journal* 56:1, 1989, 105-125. William H. Cooper. 2006. Generalized System of Preferences. CRS Report for Congress. March.

¹⁶ Alston 1993. Other developed countries also impose varying limitations on country and product coverage within their GSP schemes. See Jones 2014 for a summary.

¹⁷ The most recent “graduation,” effective in October 2014, was Russia. See Jones 2014.

¹⁸ Other grounds for not extending or revoking status include the failure to protect intellectual property rights, the seizure without compensation of property of U.S. citizens or corporations, the lack of equitable and reasonable access to the country’s markets, and trade-

Perhaps the most controversial country-level criterion concerns human rights. In 1984, Democratic Congressman Donald Pease (Ohio), a ranking member of the Trade Subcommittee of the House Ways and Means Committee, led the Congressional movement for the inclusion of human rights. His original draft bill contained a clause requiring the immediate suspension of benefits for any country found to be systematically violating worker rights. The Reagan administration, however, wanted the flexibility to condition suspension on other political considerations.¹⁹ The compromise, part of the GSP Renewal Act of 1984²⁰ (in effect since 1985), requires that all beneficiary countries are “taking steps” toward the protection of worker rights. “Taking steps” is never defined. The human rights included – “internationally-recognized worker rights” – are defined by U.S. law to include the right to free association, the right to organize and bargain collectively, a prohibition on forced or compulsory labor, a minimum age for the employment of children, and acceptable conditions of work with respect to minimum wages, hours of work, and occupational safety and health.²¹

The 1984 Act directs the executive branch to conduct annual reviews of beneficiaries’ worker rights, and it affords the executive the discretion to suspend or remove GSP benefits on the basis of violations. The law also allows U.S.-based private sector groups, such as labor unions and NGOs, to request that the United States Trade Representative (USTR) review country eligibility.

While the executive branch reviewed all beneficiaries in 1985-1986, as the 1984 legislation came into force, it has since relied on interest groups to initiate reviews of worker rights practices.²² Since 1985, interest groups have filed approximately 180 worker rights-related petitions involving 56 nations. The AFL-CIO and the International Labor Rights Forum have filed – solely or in conjunction with other groups – over three quarters of these petitions, which.²³ They do not shy away from filing complaints against countries that supply key inputs to U.S. firms, or against countries that are U.S. strategic allies. Rather, organized labor tends to use the petition process—and country-level investigations or suspensions—as a tool to draw attention to worker rights violations abroad. Most businesses, by contrast, express little interest in the GSP worker rights provisions and none has initiated a petition to review a beneficiary country’s worker rights practices.

distorting investment practices. Typically, preferential trade agreement partners also are excluded as U.S. GSP beneficiaries once the agreement takes effect.

¹⁹ Lance Compa and Jeffrey S. Vogt. 2005. Labor Rights in the Generalized System of Preferences: A 20-Year Review. *Comparative Labor Law & Policy Journal* Vol. 22: 199-238.

²⁰ Pub. L. No.98-573, 98 Stat.3019 (1984).

²¹ This definition differs from ILO core labor rights, as described in the 1998 ILO Declaration on Fundamental Principles and Rights at Work. Those rights do not include minimum wages, but also include non-discrimination by employers.

²² The USTR has occasionally self-initiated reviews of country beneficiary status, but these have concerned the possible granting of status (e.g. Burma, Vietnam) rather than the review of countries with status.

²³ Mosley and Tello 2015; Kimberly Nolan Garcia. 2011. “Whose Preferences?: Latin American Trade Promotion Pacts as a Tool of U.S. Foreign Policy.” CIDE Serie de Documentos de Trabajo de la División de Estudios Internacionales, Mexico, DEI-218.

The U.S. GSP legislation therefore provides the executive branch, via the USTR GSP Subcommittee, with a direct means of linking trade preferences with rights.²⁴ If the executive is concerned with worker rights, either because of its own preferences or demands from interest groups, it can use country-level reviews and suspensions to address rights violations. But the “general” element of the program, involving country-level status, reflects but one component of its operation (Whang 2011; Nincic and Wallenstein 1983).²⁵

GSP legislation also allows for limitations at the product and country-product level. These possibilities offer the means, much less publicly visible and more complex, by which material concerns – import competition, for instance – can enter the GSP process. First, at the program’s inception, the 1974 Trade Act statutorily exempted many products that would have represented a threat to comparatively-disadvantaged, labor-intensive U.S. industries, the inclusion of which would have increased the value of GSP to beneficiary countries. These include apparel, ceramics, footwear and textiles, “import-sensitive electronics” and “import-sensitive steel.” The 1974 legislation also allows the executive to exclude “any other articles which the President determines to be import-sensitive in the context of the Generalized System of Preferences.”²⁶ This option means that import competition concerns could be addressed at the product level, rather than via country-level eligibility.

A second type of limitation, at the country-product level, is made possible by the Competitive Needs Limitation (CNL) provisions of the 1974 Trade Act.²⁷ These provisions allow the USTR to suspend eligibility for certain (otherwise eligible) products from specific (otherwise eligible) countries. The rationale is that when a beneficiary becomes too successful at exporting a given product, it no longer merits GSP benefits.²⁸ When a country’s exports to the U.S. exceed either more than 50 percent of total U.S. imports of that product, or a value threshold (\$155 million in 2012), country-product eligibility is to be suspended. But a beneficiary that is subject to a CNL suspension may apply for a waiver, on various grounds, including a claim that U.S. domestic industries will be harmed by a suspension, or that total U.S. imports of a given product fall below a value threshold (a *de minimus* waiver). In the 2000s, over one-fifth of GSP imports exceeded the statutory CNL thresholds; in such cases, continued GSP imports were made possible by the granting of country-product waivers (Blanchard and Hakobyan 2015).

Third, country-product exclusions from GSP also can come about in response to petitions filed by firms and sectors. In a manner somewhat analogous to the administered protection of Section 301, the USTR may determine that a country-product should be excluded from GSP because a specific country is found to be sufficiently competitive with

²⁴ The USTR’s GSP Subcommittee usually includes representatives from the Departments of Commerce, Labor, Agriculture, State and Customs and Immigration.

²⁵ Whang, Taehee. 2011. Playing to the Home Crowd? Symbolic Use of Economic Sanctions in the United States, *International Studies Quarterly* 55(3): 787-801. Nincic, Miroslav and Peter Wallenstein. 1983. *Dilemmas of Economic Coercion: Sanctions in World Politics*. New York: Praeger.

²⁶ Emily Blanchard and Shushanik Hakobyan. 2015. “The U.S. Generalized System of Preferences in Principle and Practice.” *The World Economy*, forthcoming. Also see Jones 2014.

²⁷ Note that the competitive needs limitation provisions of the 1974 Act apply only to BDCs, but not to LDBDCs.

²⁸ James Devault. 1996. Competitive need limits and the U.S. generalized system of preference. *Contemporary Economic Policy*, October.

U.S. firms or a U.S. industry with respect to that product (even without exceeding the CNL threshold); or because the imported product failed to meet the GSP's requirements, including rules of origin and local content; or because the important product violates other U.S. agency requirements, such as the use of forced or child labor in its production. While most country-product exclusions come about via the CNL process and its related waivers, some exclusions do result from these additional processes (Blanchard and Hakobyan 2015).²⁹ Like CNL cases, these country-product exemptions are much less likely (than country-level cases) to draw attention from the public or from rights-concerned interest groups, and they can be used largely under the public's radar to serve very specific interests of U.S. firms.

As we explain below, the GSP program's provisions allow the executive branch to use country-level eligibility to publicly signal a commitment to worker rights, thus benefiting interest groups seeking to raise awareness of the issue, while at the same time using the less-visible product and country-product stages to respond to the materially-based demands and preferences of domestic firms and industries.

II. Having it Both Ways: Protecting Worker Rights Abroad and Material Interests at Home

Depending on the dimension of the U.S. GSP program at which one looks, one can find protection for U.S. firms and industries, or protection for workers abroad. GSP's protectionism is not so much disguised, as often claimed, as it is an integral part of the program's structure. In this section, we develop further the argument that the U.S. executive branch has incentives both to consider rights-related issues when reviewing country-level status *and* to privilege the competitive concerns of firms and industries over worker rights when determining country-product and product eligibility, and that the current structure of the GSP allows them to do so.

Rights-linked economic policy decisions, including both the granting and the withdrawal of GSP beneficiary status and related promises and threats of reviews and suspensions, are highly visible to the media and public and thus may serve to appease pro-rights interest groups.³⁰ Given substantial pressure from organized interest groups that view

²⁹ The relevant legislation is summarized at https://ustr.gov/sites/default/files/USTR-Regulations-Pertaining-Eligibility-GSP-Program-15-CFR-Part-2007_0.pdf.

³⁰ While some recent work considers the social and cultural determinants of individual attitudes related to trade (e.g. Margalit 2012), most literature on the public opinion of trade suggests that individual-level attitudes are at least partially materially motivated, by either consumer or producer considerations (e.g. Baker 2005, Fordham and Kleinberg 2012). Others argue that individual attitudes are driven by sociotropic considerations (Mansfield and Mutz 2009). Still others suggest that, while individuals may hold views on trade, these views often are not well-informed, and trade is much less important, relative to other issues, to vote choice (Guissinger 2009). Andy Baker. 2005. "Who Wants to Globalize? Consumer Tastes and Labor Markets in a Theory of Trade Policy Beliefs." *American Journal of Political Science* 49: 924-938. Benjamin O. Fordham and Katja B. Kleinberg. 2012. "How Can Economic Interests Influence Support for Free Trade?" *International Organization* 66: 311-328. Alexandra Guissinger, 2009. Alexandra Guisinger (2009). "Determining Trade Policy: Do

market-based conditionality as a means to advance worker rights abroad, the U.S. government has at least some interest in denying or revoking, or more often in threatening to deny or revoke, GSP beneficiary status to countries that are otherwise eligible but which severely violate worker rights. Doing so also is consistent with U.S. law, which stipulates that GSP beneficiary status should depend, *inter alia*, on “whether or not such country has taken or is taking steps to afford workers in that country (including any designated zone in that country) internationally-recognized worker rights.” Country-level actions offer a means by which the U.S. government can respond to interest group and public pressures, as well as to its legal obligations.

These suspensions, and the more general linking of economic agreements with human rights criteria (e.g. Hafner-Burton 2009; Kim 2012), have strong support from American labor unions, human rights organizations and a growing number of mainly Democrats in the U.S. Congress. Indeed, while sanctions or threats of sanctions are not always effective at prompting policy change abroad, they appear effective in some instances.³¹ Murillo and Schrank (2005), for instance, describe how U.S. GSP-related pressures in the 1990s contributed to the improvement of collective worker rights in several Latin American nations, especially those with weak domestic labor movements.³² When threatened with suspension of its GSP privileges in the 1990s, Guatemala made efforts to cooperate with the International Labour Office (ILO), passed new domestic legislation extending human rights protections to workers and created a Special Prosecutor for Crimes Against Unionists and Journalists especially designed to investigate and prosecute past and ongoing crimes.³³

Central to our argument is that fact that country-level GSP suspensions are not only highly visible but also relatively inexpensive materially – for instance, in terms of foregone U.S. imports – to implement. Figure 1 illustrates this fact, summarizing in Panel A the total value of U.S. GSP imports from 2002 to 2009 (annual data represented in the bar chart), as well as in Panel B the value of exclusions from GSP status. The exclusions displayed are of two types, as discussed above – country level (rights-based withdrawals of beneficiary status) and country-product level (competitive needs limitations).³⁴ What is striking about this figure is just how small, in absolute as well as relative terms, the country-level, worker rights-related

Voters Hold Politicians Accountable?” *International Organization* 63: 533-557. Edward D. Mansfield and Diana C. Mutz, 2009. “Support for Free Trade: Self-Interest, Sociotropic Politics, and Out-Group Anxiety.” *International Organization* 63: 425-457. Yotam Margalit, 2012. “Lost in Globalization: International Economic Integration and the Sources of Popular Discontent.” *International Studies Quarterly* 56: 484-500.

³¹ For an analysis of human rights clauses in other U.S. trade agreements, see Kim 2012, Piore and Schrank 2008.

³² M. Victoria Murillo and Andrew Schrank. 2005. “With a Little Help from My Friends: Partisan Politics, Transnational Alliances and Labor Rights in Latin America.” *Comparative Political Studies* 38(8): 971-999.

³³ Interest groups began filing petitions to remove Guatemala’s status in 1987. The USTR accepted a petition in 1992, and Guatemala was on “continuing review” through 1997. Tsogas 2000.

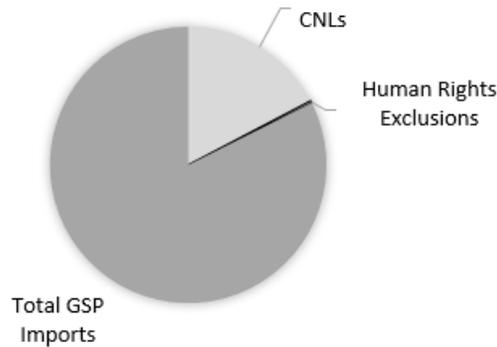
³⁴ In both cases, these numbers represent actual exclusions; they do not account for threats of exclusions (for example, via a country petition accepted for review but not leading to an actual suspension), nor for applicable but waived CNL limitations.

exclusions are. Between 2002 and 2009, the average annual value of goods excluded based on rights grounds (\$216 million) paled in comparison to the total value of goods that entered

FIGURE 1: TRADE VALUE OF VARIOUS GSP EXCLUSIONS



**VALUE OF GSP IMPORTS/EXCLUSIONS
(TOTAL 2002-2009)**



the U.S. under the GSP program (\$25 billion).³⁵ In effect, human rights based suspensions amounted to only around 3% of total GSP exclusions, and less than 1% of the total value of GSP imports to the U.S. Country-level petitions typically do not result in suspensions; hearings, comment solicitations and continuing review of labor standards are more frequent outcomes for petitioners. These result in few material costs, but serve to raise awareness of worker rights and thus pay rents to interest groups seeking to draw attention to the issue. By contrast, country-product exclusions, via CNLs, amount to an annual average of approximately \$6.5 billion.

³⁵ The total value of goods excluded on other country-level grounds, typically intellectual property rights or expropriation violations, also was relatively small compared to CNL-based exclusions (Blanchard and Hakobyan 2015).

The prevalence of GSP exclusions at the country-product level underscores the incentives for the U.S. government to respond to firm- and sector-level trade policy demands and preferences. Models of the political economy of trade, particularly those rooted in more recent (“new new”) trade theory, suggest that firms are heterogeneous in their ability to compete globally. As a result, firms’ preferences over trade policy may vary not only across industries, but also within industries.³⁶ Firms and industries may demand either protection (limitations to GSP access) or liberalization (continuations of GSP access such as CNL exemptions or extensions of access such as product eligibility additions), depending on their position in global supply chains and on their international competitiveness. Those U.S. firms that are harmed by GSP imports can be expected to lobby for product or country-product limitations, while firms which benefit (from lower prices for inputs, for instance) will instead pressure the U.S. government to refrain from product or country-product restrictions to GSP. Such firms are less interested in removing (or preserving) *all* of a country’s access to GSP, or in expending the political capital necessary to do so; they prefer to remove (or preserve) only those elements that represent a competitive threat.³⁷

Like firms, U.S. workers also have varying interests over trade policy, depending on the specific skills they hold and the industry (and perhaps firm) in which they work. While workers might therefore align politically with their employers to support or oppose specific trade policies, collective action challenges and dual roles as producers and consumers (e.g. Baker 2005) suggest that workers often are silent on trade policy.³⁸ When workers do take action on trade policy generally, and on GSP specifically, labor unions often provide the key organization vehicle.

While only a minority of U.S. workers belong to trade unions, and many of these work in the public (a non-tradable) sector, still others work in manufacturing industries (e.g. steel or automobiles) in which the U.S. may find itself at a comparative disadvantage. Unions and union federations such as the AFL-CIO may use their political clout to oppose trade liberalization generally: for instance, Baldwin and Magee (2000) find that trade union contributions to Congressional representatives positively and significantly affect the

³⁶ Michael Plouffe, 2015. “Heterogeneous Firms and Policy Preferences.” In Lisa Martin, ed., *The Oxford Handbook of International Trade*.

³⁷ To take an example, when Vietnam applied for country-level GSP status in 2008, a group of U.S. producers of plastic bags submitted a comment to the USTR committee. They noted that, while they did not oppose country status for Vietnam, they were worried about damage to their industry. The U.S. producers requested that, were Vietnam granted status, Vietnam should be “precluded from seeking GSP treatment” for polyethylene carrier bags. Michael F. Martin and Vivian C. Jones. 2009. “Potential Effects of Adding Vietnam to the Generalized System of Preferences Program.” *Congressional Research Service* Report RL34702.

³⁸ Note that the Grossman-Helpman framework, in which trade policy results from lobbying by organized interests, assumes that wages are fixed and equal across industries and that full employment obtains. Workers, who also benefit from lower prices as consumers, do not lobby for protection. Gene M. Grossman and Elhanan Helpman. 1994. “Protection for Sale.” *American Economic Review* 84: 833-850. For more recent work that treats labor as heterogeneous, and with varying interests in trade policy, see Gene M. Grossman, Elhanan Helpman and Philipp Kircher. 2014. “Matching, Sorting and the Distributional Effects of International Trade.” [Working Paper](#), Princeton University.

probability that a given member will vote against trade liberalization.³⁹ And Matsche and Sherlund's (2006) model and results posit that the level of trade protection granted to U.S. manufacturing industries is a function not only of whether capital owners lobby, but also of union activity and labor mobility.⁴⁰

Hence, we can treat the USTR GSP decisions at the product and country-product levels as the result of a contest between competing domestic interests, organized at the firm and industry level, and focused on the material consequences of the parameters of the GSP program. These decisions occur within a framework of limited Congressional oversight, and through a process that is known to import-competing and import-reliant firms, but about which the general public (and human rights groups) are less aware. Like their Congressional counterparts, executive agencies will be responsive to demands from industries, firms and labor unions (e.g. Cadell 2014).

To summarize, we expect (*Hypothesis 1*) that the U.S. executive branch will couple visible but relatively inexpensive country-level actions, motivated in part by rights concerns, with (*Hypothesis 2*) product and country-product level actions that privilege much more substantial (in dollar terms) material considerations. The former is more easily observable (Kono 2006) and allows the U.S. government to frame these decisions as driven by a concern for "ethical globalization." For instance, after the widely-publicized Rana Plaza collapse in 2013, the USTR withdrew Bangladesh's GSP benefits. While ready made garments are not covered by GSP, given product-level exclusions, this action received significant attention from activists and the media.⁴¹ This allows the U.S. executive branch to shield important constituents from the negative effects of a unilateral trade preference program. Firms and industries are the key influences on these processes, which offer an avenue for targeting imports that are competitive with American products and thus can shelter American workers and firms from global competition.⁴² It is these actions, and their statutory place within GSP, which have led critics to label U.S. programs as "disguised protectionism" or "aggressive unilateralism." For instance, the former chair of the UN Committee on Economic and Social Rights claimed that the inclusion of rights-based sanctions in its economic policies "would seem to be designed less to achieve the cessation of human rights abuses than to bring offending states to the negotiating table so as to improve the relative trade position of the United States vis-à-vis those states."⁴³ Overall, then, the U.S. government can act sincerely at the country level in its talk of rights-based conditionality, but its behavior at the country-product level cheapens this talk. We evaluate the argument in the remainder of the paper.

³⁹ Robert Baldwin and Christopher S. Magee. 2000. "Is Trade Policy For Sale? Congressional Voting on Recent Trade Bills." *Public Choice* 105: 79-101.

⁴⁰ Xenia Matschke and Shane M. Sherlund. 2006. "Do Labor Issues Matter in the Determination of U.S. Trade Policy? An Empirical Reevaluation." *American Economic Review* 96: 405-421.

⁴¹ Country-level GSP access may be suspended on the basis of worker rights violations anywhere in the economy, including in the public sector and in industries whose products are exempted statutorily from GSP.

⁴² Note that the country-product level also offers a means for continuing to provide benefits to importers of GSP-covered inputs, which can be granted exceptions to CNL thresholds.

⁴³ Harvey, 1995. Philip Alston, 1993. "Labor Rights Provisions in U.S. Trade Law: 'Aggressive Unilateralism?'" *Human Rights Quarterly* 15(1): 1-35, p. 28.

III. Empirical Analyses

In this section, we evaluate our main expectations by considering the determinants of country-level GSP beneficiary status, as well as of country-product exclusions. With respect to the former, we first discuss the initial granting of country-level GSP benefits, and then we consider threats and acts of beneficiary review, suspension and withdrawal. With respect to the latter, we model the extent to which a beneficiary country's GSP-eligible exports are reduced by country-product exclusions. Our analyses lend support to our argument: while rights-related factors are significant correlates of variation in country-level status, they are largely unrelated to country-product patterns of benefits. At the country-product level, it is material concerns related to U.S. imports that are significant determinants of GSP program access.

Granting Beneficiary Status

After Congress created the U.S. GSP program, the first order of business was to grant status, as developing (BDC) or least developed beneficiary countries (LDBDC), to eligible nations. This process requires a request for status by the potential beneficiary, and a subsequent review by the USTR's GSP Subcommittee. The Subcommittee is tasked with taking into account the various conditions for eligibility, such as the level of economic development, government ideology (Communist or not) and government behaviors (expropriation, participation in a commodity cartel, support for terrorism, respect for intellectual property rights).⁴⁴ Beginning in 1985, the Subcommittee also considered worker rights as part of this process.

The majority of countries in the world—approximately 88 percent—that were eligible for GSP status during the period of our study were granted access. In 1976, as the GSP program was activated, 97 independent developing countries were designated as eligible for the program (Exec. Order 11844, Mar. 24, 1975) and were granted access in the very first year of the program. Of those countries declared eligible at the start of the program, only four were not immediately granted beneficiary status. By 1985, when the GSP program was amended to include considerations for worker rights, the program had already expanded to 117 beneficiary countries (50 FR 36220, Sept. 5, 1985), the vast majority of which were granted beneficiary status as soon as they were deemed eligible – based on their level of development and the other statutory criteria – for participation in the program. Through 1984, the median time from the declaration of eligibility to the extension of beneficiary status was zero years, with an average of just 0.15 years. Thus, worker rights, which were not included in the initial legislation, did not formally factor into the granting of status for the vast majority of beneficiaries.

From 1985, however, the granting of beneficiary status slowed considerably. Between 1985 and 2013, 42 independent beneficiary countries were granted status;⁴⁵ the median time from the declaration of eligibility to the granting of status is 4 years, and the mean onset time is 5.7 years. Additionally, four countries – Laos, Myanmar, Nicaragua and

⁴⁴ It is also common practice that a country that signs a PTA with the U.S. is dropped from the GSP program.

⁴⁵ This includes four countries that previously had been named as beneficiaries, but then became ineligible.

Vietnam – have been declared eligible for status, but have yet to be offered access to the program.

Anecdotally, Vietnam is a good example of the ways in which concerns for worker rights may, since 1985, have shaped the U.S. government's decisions to grant beneficiary status. In 2008, Vietnam, which had been excluded from eligibility by virtue of its Communist government, applied for inclusion in the U.S. GSP preference scheme. Other preference programs, such as Canada, the EU and Japan, have accepted Vietnam as a beneficiary. To date, the USTR has not released a statement on its consideration of Vietnam, and the issue is now rendered somewhat moot by the move toward the Trans Pacific Partnership (the text of which discusses explicitly labor issues in Vietnam). From 2008, supporters of granting status to Vietnam noted the normalization of its trade relations with the United States, and its subsequent accession to the WTO in 2007. Opponents question whether Vietnam's government is "controlled by international communism," which would render it ineligible for GSP status.⁴⁶ Still others point to Vietnam's human and worker rights record (as well as its protection of intellectual property rights). Here, the concerns relate not only to conditions in Vietnamese factories and the possible use of child labor, but also to whether labor unions in Vietnam operate independently from the government, and whether workers have a genuine right to free association. Vietnam has noted its ratification of core ILO conventions, its revisions to national labor laws, and its participation in the ILO-IFC Better Work program. Indeed, concerns regarding labor practices have been sufficiently important that in the 111th and 113th Congresses, members of Congress introduced multiple pieces of legislation emphasizing the link between Vietnam's failure to protect worker rights and its non-acceptance into the GSP program (Martin 2014).⁴⁷ While worker rights concerns are not the only factor that explains the long delay in granting GSP status to Vietnam, they certainly appear to play a role. Vietnam is not unique in this regard. When other countries have been considered for GSP beneficiary status, including Georgia (1998), Eritrea (1998), Gabon (1998), Laos (2013), Myanmar (2013), Mongolia (1999), and Nigeria (2000), comments submitted to the USTR frequently identified worker rights violations as a key concern.

The pattern after 1984, then, suggests anecdotally that legislation linking worker rights with the GSP program may have had the intended effect, slowing down (or preventing) access for at least some potential GSP beneficiaries. Of course, many countries already had status by 1985, and one could argue that the remaining developing countries represented more difficult cases (in terms, for instance, of the level of respect domestically for rule of law and fundamental human rights). But, at least to a greater extent than in the first decade of GSP's existence, rights appear to make a difference to the onset of country-level beneficiary status. Human and labor rights groups sometimes use the onset process to raise concerns with worker rights, as does the USTR's GSP Subcommittee.

Because, however, the majority of GSP beneficiary countries received status prior to 1984, when rights concerns were not part of the GSP process, and when status granting was automatic for most eligible (by virtue of income classification, lack of Communist political

⁴⁶ Martin, Michael F. (2014). U.S.-Vietnam Economic and Trade Relations: Issues for the 113th Congress. Congressional Research Service. August 13, 2014.

⁴⁷ The AFL-CIO, Human Rights Watch, and the U.S. Committee to Protect Vietnamese Workers, among others, have raised these concerns, as has the U.S. State Department's annual *Country Reports on Human Rights Practices*.

regime and lack of PTA with the US) countries, we focus on the other side of the country-level process: for those nations that have been granted beneficiary status, what explains when such status is reviewed or suspended? We return to the question of onset – of what explains selection into the program, as a precondition for suspension, below.

Country Level Actions Against Beneficiaries

There is significant variation in the extent to which, once a country is designated as a GSP beneficiary, it faces threats to the removal of status, including petitions and USTR reviews, as well as actual removal. We expect – *Hypothesis 1* – that this variation is significantly associated with rights-related outcomes: severe violations of worker rights significantly increase the likelihood, all else equal, that the USTR will accept petitions (for the reconsideration of beneficiary status) from interest groups, place beneficiaries under continuing review, and revoke beneficiary status.

To assess this expectation, we examine annual data for all GSP beneficiary countries during the period from 1986 to 2013. The 1984 U.S. GSP legislation allows interest groups to petition the USTR for a reconsideration of country status; these petitions can be based on the failure to respect internationally-recognized worker rights (as well as on violations of international property rights, although we do not consider those). The USTR issues a call for petitions on an annual cycle; each year, it decides which of the received petitions it will consider for further review. If a petition is accepted for further review, the USTR GSP Subcommittee solicits comments and holds a hearing on the petition. The GSP Subcommittee may then take a variety of actions, including determining that a government is “taking steps” to address worker rights issues; continuing a country’s review in the subsequent years (without removing its current status); suspending a country’s status for a period of time; or permanently removing a country from eligibility.

The main filers of labor-related country petitions are the AFL-CIO and the International Labor Rights Forum (ILRF); various other human and labor rights groups also have filed, jointly or individually, petitions since 1984. Mosley and Tello’s recent (2014) analysis posits that interest groups are motivated by moral as well as material factors: severe violations of labor rights as well as deeper economic ties (trade as well as foreign direct investment) with the U.S. make petition filing more likely, all else equal. These interest groups, however, appear less concerned with the ultimate success of the petition, and more concerned with publicizing severe violations of labor rights. For instance, although interest groups are aware that GSP petitions may be less likely to succeed when filed against exporters of important commodities or against strategic allies, they nonetheless view the petition process as a useful tool for drawing attentions to rights violations. Indeed, Mosley and Tello’s analysis indicates that the process which generates the filing of petitions is quite distinct from the process by which the USTR’s GSP Subcommittee evaluates them. Below, we briefly discuss our analysis of GSP outcomes as the result of a two-stage (selection and outcome) process; our results suggest, again, that there is little systematic relationship between either the initial granting of status or the petition filing stage, on the one hand, and the outcome of filed petitions.

Our main assessment therefore centers on the effect of worker rights on the continuation of country-level GSP status. We define “status” in four distinct ways,

highlighting different stages of the U.S. executive branch's review process.⁴⁸ We report models employing these dependent variables in Table 1. First, PETITION ACCEPTED is coded as 1 if an interest group filed a petition against a country *and* the USTR accepted the petition for review during the year under consideration. While the executive branch does not always respond affirmatively to country-level petitions, it accepts approximately half of them for further review. This measure takes on a value of "1" for accepted petitions regardless of the ultimate outcome – whether, for instance, the USTR later determined that the beneficiary is "taking steps" to meet international labor rights standards, or whether the USTR decided to suspend the country's status. Second, CONTINUING REVIEW indicates that the beneficiary country is ongoing review during a given year. Being subject to review requires that a petition has been filed against a beneficiary, that the USTR has accepted the petition, and that the review remains in progress. In many instances, beneficiaries remain under review for several years prior to an ultimate decision. Some observers describe continuing review as an intermediate outcome, in which the USTR attempts to effect improvements in rights without directly sanctioning the beneficiary. Our third measure, SUSPENDED, takes on a value of "1" for those countries that have their beneficiary status revoked in a given year. Because these actions are strictly cumulative, in that being reviewed is less penal than being suspended, we also create a fourth dependent variable that is ordered. No action in a given country-year is coded as 0; a petition accepted for review, or a continuance of an existing review, is represented by 1; and a value of 2 indicates a suspension.

Our first independent variable of theoretical interest, WORKER RIGHTS, gauges the treatment of workers in the beneficiary country. This variable measures the extent to which workers enjoy freedom of association in the workplace and the right to bargain collectively with their employers (Cingranelli, Richards and Clay 2014). This measure, taken from the CIRI database of human rights indicators, draws information from the U.S. State Department's Country Reports on Human Rights Practices, which include a dedicated section on Worker Rights. The variable ranges from 0 to 2, with 2 representing highly protected worker rights, and 0 representing severe restrictions.⁴⁹ We anticipate that countries that rank lower on this scale will be more likely, all else equal, to face GSP review and country-level sanctioning.

Our next set of variables assesses the effect of material considerations at the country level. If material concerns play a role, then those countries that export more to the U.S. should be more likely to face sanctioning. We are most concerned with labor-intensive (rather than all) imports, as these would most directly threaten comparatively-disadvantaged U.S. industries. We measure LABOR INTENSIVE IMPORTS as the dollar value of U.S. imports of labor intensive products from each beneficiary country (see the Data Appendix for further information). In additional models reported in Table 3, in the appendix, we replace LABOR INTENSIVE IMPORTS with TOTAL IMPORTS to the U.S. It is possible that the beneficiary's overall trade relationship with the U.S. affects the perceived utility of

⁴⁸ We code these variables based on a search of Federal Register notices related to the GSP program. A table containing the notices used appears in the appendix.

⁴⁹ While other measures of workers' rights provided more detailed coverage, they lack the comprehensive time coverage of the CIRI data. For a discussion of various measures of labor rights, see Mosley 2011. Mosley, Layna. 2011. *Labor Rights and Multinational Production*. New York: Cambridge University Press.

sanctions—the U.S. has more leverage over countries from which it imports heavily.⁵⁰ We include a measure of UNEMPLOYMENT to account for the possibility that downturns in the business cycle may increase industry demands for trade protection. We expect that, at the country level, the effects of rights considerations will be more pronounced than that of material factors.

Our models also account for the potential role of strategic considerations in the USTR’s review and sanctioning decisions. Given that strategic motives affect the formation of preferential trade agreements, the allocation of foreign aid and the imposition of economic sanctions in response to human rights violations,⁵¹ we might also expect that they play a role in GSP program administration.⁵² For instance, the U.S. removed many of Pakistan’s key exports from GSP eligibility in response to nuclear tests in the 1990s, but reinstated these when Pakistan became an important ally in the “war on terror.”⁵³ Our models thus include UN AFFINITY, which measures the concordance between the U.S. and the beneficiary country on UN General Assembly “key votes.” The variable is measured from -1 to 1, with higher values representing greater similarity in voting behavior.

We also suspect that Democratic U.S. presidential administrations are more likely to take actions against beneficiaries in response to rights violations; certainly, Democrats have been more likely to support the inclusion of human rights conditions into U.S. trade law. To account for this, we include a measure of the incumbent president’s ideology (PRES PARTY). For similar reasons, we also include a variable denoting the partisan make up of Congress; the variable is coded as 1 when Democrats control both the House and Senate.⁵⁴

Lastly, our models include a variety of additional variables intended to capture other attributes of GSP beneficiaries that could explain decisions related to country-level status.

⁵⁰ While GSP imports to the U.S. (rather than all imports) also would be a good measure of the material consequences of a GSP suspension, that measure is available only for the 2002-2008 period. We therefore elect to use labor intensive and total U.S. imports.

⁵¹ Bearce, David H. and Daniel C. Tirone. 2010. Foreign Aid Effectiveness and the Strategic Goals of Donor Governments. *Journal of Politics* 72(3): 837-851; Özden, Çağlar and Eric Reinhardt. 2005. “The Perversity of Preferences: GSP and Developing Country Trade Policies, 1976-2000.” *Journal of Development Economics* 78: 1-21; Peksen, Dursun, Timothy M. Petersen, and A. Cooper Drury. 2014. “Media-driven Humanitarianism? News Media Coverage of Human Rights Abuses and the Use of Economic Sanctions.” *International Studies Quarterly* 58(4): 855-866.

⁵² Also note Kelley’s finding that, all else equal, U.S. GSP beneficiaries are more likely than non-beneficiaries to sign agreements with the U.S. to resist rendering American citizens to the International Criminal Court, even if these countries are not, themselves, a party to the Court. Judith Kelley. 2007. “Who Keeps International Commitments and Why? The International Criminal Court and Bilateral Nonsurrender Agreements.” *American Political Science Review* 573-589.

⁵³ Lederman, Daniel and Çağlar Özden. 2007. “Geopolitical Interests and Preferential Access to U.S. Markets,” *Economics & Politics* 19(2): 235-258. Also see Nolan Garcia, Kimberly. 2011. “Whose Preferences?: Latin American Trade Promotion Pacts as a Tool of U.S. Foreign Policy.” CIDE Serie de Documentos de Trabajo de la División de Estudios Internacionales, Mexico, DEI-218.

⁵⁴ We also experimented with a variable simply denoting Democratic control of the House, and the results were similar.

We include a logged measure of the country's level of development (GDP PER CAPITA), as well as an indicator of manufacturing value added in the country's economy (VALUE ADDED MANUFACTURING).⁵⁵ The VALUE ADDED MANUFACTURING measure could capture the propensity for observing worker rights violations in the economy – typically easier in urban, manufacturing-based production settings – as well as the latent economic threat to the U.S. posed by the beneficiary country in question. To further account for the size of the country as well as the propensity for rights violations, we include a measure of the country's POPULATION (logged) (see Mosley 2011). A full summary of the variables and descriptive statistics is provided in the data appendix.

We report several models in Table 1, all estimated at the country-year level of analysis. Model 1 reports an ordered probit analysis, where the dependent variable conceives of status-related actions on an escalating scale. We also treat each type of country-level action separately, estimating logit (Models 2, 4 and 6) models on the dichotomous outcomes of PETITION ACCEPTED, CONTINUING REVIEW and SUSPENDED. We calculate robust standard errors clustered on beneficiary country. Finally, because country-level actions are relatively rare events—approximately 5% of beneficiaries are under review, with less than 1% fully sanctioned – we re-estimate these models as rare events logits (Models 3, 5 and 7).

Insert Table 1 here

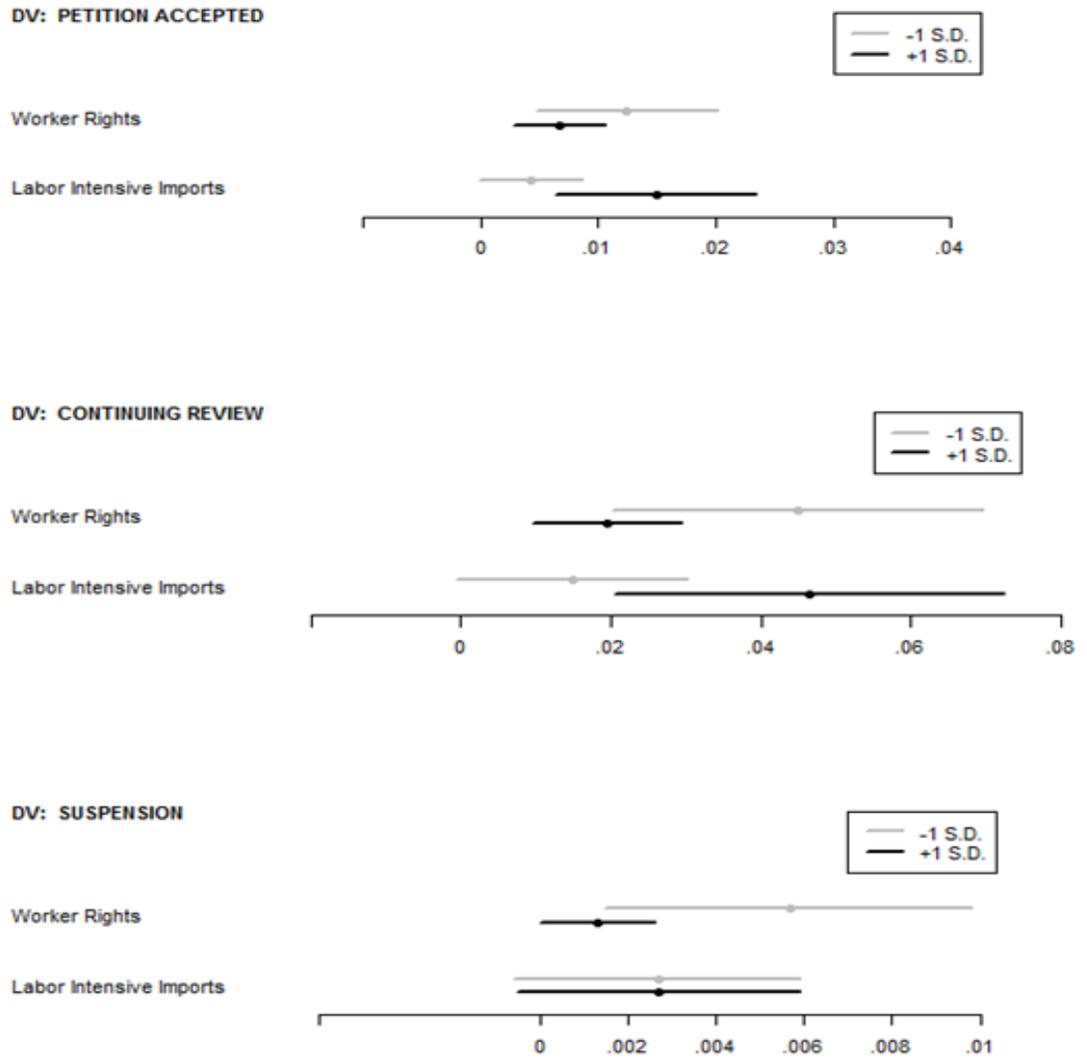
The estimates reported in Table 1 are consistent with our argument. Across all specifications, countries experiencing WORKER RIGHTS problems are significantly more likely to experience GSP review and removal of status. Protection for WORKER RIGHTS has a negative and statistically significant relationship with experiencing any sort of country-level action (Model 1); with seeing a petition accepted for review (Models 2 and 3); with seeing a country placed under continued review (Models 4 and 5); and with actual suspension from the GSP program (Models 6 and 7). The WORKER RIGHTS variable is uniformly statistically significant at the .05 threshold (or greater).

To interpret our estimates, we calculate predicted probabilities that estimate the effect of changes in WORKER RIGHTS on our outcomes of interest, holding the other variables constant at their means. Figure 2 displays these probabilities. A beneficiary country with a score one standard deviation below the mean for WORKER RIGHTS is almost twice as likely to have a petition against it accepted (probabilities based on Model 2), over twice as likely to be under continued review (probabilities based on Model 4) and approximately three and half times as likely to be suspended (based on Model 6) as a beneficiary country with a WORKER RIGHTS score one standard deviation above the mean. Beneficiary countries' worker rights practices appear to have been central to the executive branch's calculus when considering country-level GSP penalties. These results are robust to alternate measures of (or proxies for) human rights, including the beneficiary country's POLITY score and their ranking on the Political Terror Scale (see appendix Table 6).

Potential import competition also appears to be an important driver of country-level actions, as least in earlier stages of the process. LABOR INTENSIVE IMPORTS, which measure a country's exports to the U.S. in 2-digit SITC categories, is statistically significant at the conventional threshold (p-value > .05) in one of the seven models reported in Table 1. The

⁵⁵ Due to substantial missing data on this indicator, we impute approximately one third of the observations using the MICE package in R.

FIGURE 2: WORKER RIGHTS AND SANCTIONING MEASURES: PREDICTED PROBABILITIES⁵⁶



variable reaches significance at the .10 threshold in 2 other models as well. We find similar results if we instead include TOTAL IMPORTS (see Table 3). However, it is worth emphasizing that the variable is never close to statistical significant in the context of the most severe GSP-related sanction: suspension/termination of benefits. The relative importance of WORKER RIGHTS and LABOR INTENSIVE IMPORTS is illustrated in Figure 2. We can see that in the earliest stages of the process, the two variables have roughly comparable effects on GSP sanctioning (PETITION ACCEPTED; CONTINUING REVIEW). In

⁵⁶ The plot illustrates the impact of varying the value of WORKER RIGHTS from [mean – 1 standard deviation] to [mean + 1 standard deviation] while holding all other variables at their mean values. The points represent predicted probabilities of a sanction (i.e., PETITION ACCEPTED, UNDER REVIEW, SUSPENSION), and the line segments represent the confidence intervals.

contrast, when considering suspension of benefits, WORKER RIGHTS has a large substantive impact, and LABOR INTENSIVE IMPORTS has no discernable impact at all.

We also find evidence that the USTR has been more willing to take actions against countries with high VALUE ADDED MANUFACTURING. A beneficiary with a level of value added one standard deviation above the mean is twice as likely to be under review (Model 3), and more than twice as likely to be suspended (Model 5), as a beneficiary one standard deviation below the mean.⁵⁷ This result may reflect the relative ease of observing labor rights violations -- for NGOs and others that provide information for the U.S. State Department *Country Reports on Human Rights* Practices -- in manufacturing-based economies.

Furthermore, both UNEMPLOYMENT and a DEMOCRATIC CONGRESS also significantly predict GSP actions short of suspension. UNEMPLOYMENT is positive and statistically significant in Models 1-5. This result is also consistent with the notion that domestic economic considerations may influence the country-level GSP process. The variable does not come close to reaching statistical significance in Models 6 and 7, in which suspension of status is the dependent variable. In these same models, a DEMOCRATIC CONGRESS negatively and statistically significantly predicts (again, for all dependent variables short of suspension) GSP action in Models 1-5. Countries are less likely to face punitive actions when Democrats control the Congress. By contrast, presidential ideology has no significant effect on the probability that countries are under review or have their GSP privileges suspended. Nor do we find direct evidence that political and strategic relationships systematically affect country-level access to GSP. Countries with foreign policy preferences (UN AFFINITY) close to those of the U.S. are just as likely to experience review or suspensions of their GSP status.⁵⁸ The same is true for POPULATION and GDP PER CAPITA.

Taken together, these findings are broadly in line with our expectation that the U.S. government is inclined, given the legal parameters of GSP as well as pressures from labor- and human-rights groups, to take worker rights into consideration when considering country-level GSP penalties. Although economic interests are also at play, concerns for worker rights appear to influence these decisions above and beyond economic concerns. Although a number of interest groups have expressed skepticism regarding the sincerity with which the U.S. government applies worker rights conditions -- fearing that these provisions would be used as a basis for veiled attempts at protectionism (e.g. Harvey 1995) -- it appears that the GSP review process has not been systematically used in that way at the country level. The GSP program, however, easily facilitates protectionism through more nuanced product-level suspensions.

⁵⁷ Although we lose one third of our observations, these findings hold when we employ the original, non-imputed measure of manufacturing value added in the country's economy (VALUE ADDED).

⁵⁸ That said, it is worth noting that U.S.-beneficiary foreign policy commonalities are incorporated into the application of the GSP program in other ways. For example, in determining which countries are eligible to receive GSP preferences in the first instance, countries that are Communist, or members of OPEC, or who expropriate foreign investments may be denied GSP status. Therefore, U.S. foreign policy objectives are still important to understanding GSP treatment, notwithstanding the lack of a statistically significant relationship between UN AFFINITY and country-level beneficiary outcomes. We also note that the results are consistent when using UN ideal points estimates, an alternate measures of foreign policy priorities.

One could argue that, from a modeling standpoint, we should treat GSP status and petitioning in a two (or more) stage model. Countries must receive status before they can be sanctioned and, while status was granted almost reflexively in the GSP program's early years, more space for rights-related considerations was created from the mid-1980s. Similarly, given the reliance of the USTR on private party petition filing, we might want to model the determinants of filing alongside the correlates of petition outcomes. While we maintain that the stages of the operation of GSP are largely distinct from one another, we nonetheless explore these possibilities, using Heckman Probit models (see Tables 4 and 5 in the appendix).

In the first set of these models (Table 4), we treat the granting of GSP status as the selection stage, and country-level sanctioning as the outcome stage. We employ GDP PER CAPITA as the instrument, assuming (to satisfy the exclusion restriction) that income affects the onset of status but not its suspension or reconsideration. We do find that WORKER RIGHTS significantly affects the onset of status (positive relationship in the selection model), as well as the reduction or removal of status (negative and significant relationship). Similarly, a Democratic congress increases the probability of receiving status, but also reduces the odds of its review or removal. And while strategic relationships, measured with UN affinity scores, play little role in the main models we estimate, they do help to account for onset of status. Note, though, that we find evidence of a relationship between the two stages (as indicated by the value of the rho parameter) only for suspension (and not for acceptance or continuing review).

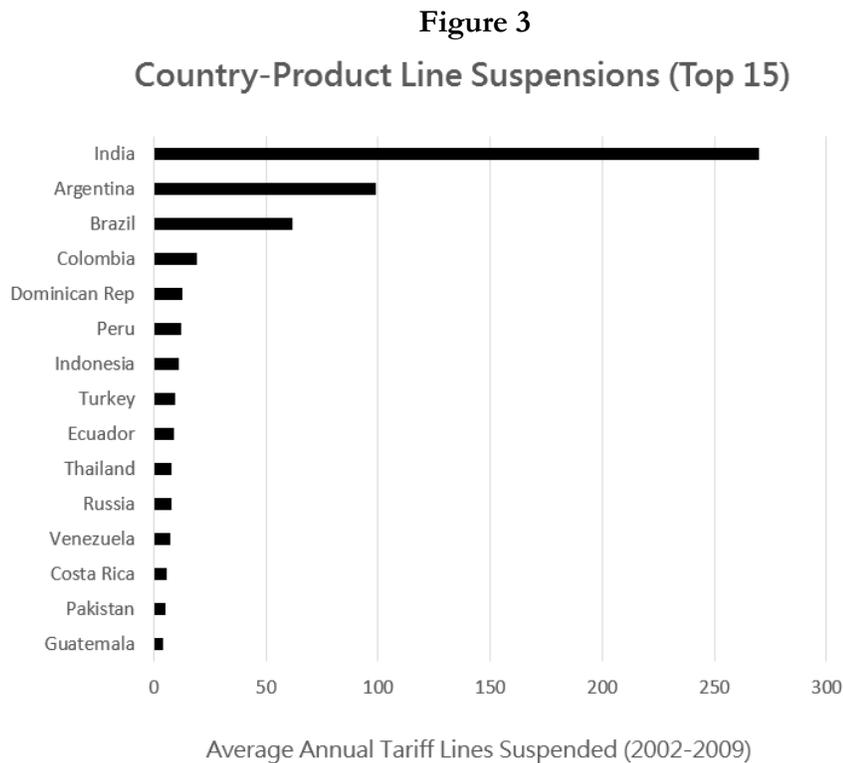
Another variant of our two-stage model treats petition filing (by interest groups) and petition outcomes as the selection and outcome stages (Table 5). For this analysis, it is difficult to identify an appropriate instrument, given that we might expect that the same factors motivating bringing a petition also affect its disposition. We follow Nolan (2011) and use the Latin American dummy variable as such. The rationale for this is based on the fact that rights groups have been more inclined to use the GSP mechanism to address human (and not just labor) rights issues in Latin America than elsewhere in the world, so that some amount of filing can be explained by geography. But regional location does not appear to systematically affect how petitions are evaluated. As with the previous set of two stage models, only one model (here, for continuing review) offers evidence of a systematic relationship between the stages (also see Mosley and Tello 2015). It is interesting to note that worker rights are more systematically linked with the selection stage (petition filing), as are labor intensive imports and value added in manufacturing. The outcome stage, however, suggests few systematic and robust determinants of petition outcomes. These models, while offering some statistically significant results, largely suggest that our decision to model petition outcomes as a single stage process is a reasonable one. We now turn to a consideration of country-product level actions, on which we expect rights-related outcomes to have less of a systematic impact.

Country Product Level Actions

In this section, we consider the key determinants of GSP eligibility suspensions at the country-product level. Recall that, in addition to the statutory exclusions of specific products (e.g. apparel) from the GSP program overall, the USTR also imposes limits at the country-product level – for instance, canned pineapple from the Philippines. Here, we focus on the value of individual products excluded from GSP eligibility for beneficiary countries.

Our first dependent variable is the dollar amount (logged) of goods excluded from GSP, based on competitive need limitations on a yearly basis (CNL VALUE). This value represents the import value of goods that would theoretically be eligible for GSP treatment, but were nonetheless excluded because the exporter in question was deemed sufficiently competitive in producing the subject product. While GSP legislation sets thresholds for competitive needs limitations, it also allows for beneficiaries and other interested parties to petition for exceptions. Hence, U.S. firms that rely on a given input might ask for a waiver of CNL limits, and U.S. firms that face import competition might lobby against such waivers.

As an alternate dependent variable, we employ the total number of tariff lines suspended during the year in question (LINES SUSPENDED). This variable focuses on the extent of *de facto* product eligibility, rather than the realized value (CNL value) of a country's (in)eligibility. Figure 3 shows the average annual number of tariff lines suspended between 2002 and 2009 (the years for which these data have been collected), for the fifteen beneficiaries with the largest number of suspensions. These data come from Blanchard and Hakobyan (2015). Note that India and Brazil's country-product line suspensions are largely in response to a U.S. government determination of inadequate protections of intellectual property rights, while Argentina's were implemented as part of an attempt to effect payment of arbitral awards to U.S. investors.



In order to assess the extent to which import competitiveness concerns affect country-product GSP eligibility, we estimate models with each of these dependent variables. As before, the unit of analysis is the country-year. As CNL VALUE is a continuous value, we

run standard OLS regressions on the models employing this dependent variable. Given that LINES SUSPENDED is a count, we estimate negative binomial models for this dependent variable.⁵⁹ The sample consists of cross sectional time series data for all countries that are GSP beneficiaries from 2002 to 2009.

To account for material concerns as motivators of U.S. trade policy, we again include measures of U.S. imports from beneficiary countries. We include LABOR INTENSIVE IMPORTS to account for the beneficiary country's imports that are most likely to create concerns for competitively-disadvantaged U.S. producers. We also use TOTAL IMPORTS, covering all imports from the beneficiary country, as an alternative. To assess whether worker rights outcomes matter at the country-product level, we include the WORKER RIGHTS indicator. We also include UN AFFINITY, capturing the potential impact of foreign policy considerations on aggregate product level suspensions. And we again account for each beneficiary country's level of economic development by including a variable denoting GDP PER CAPITA, as well as VALUE ADDED MANUFACTURING.

We report the estimates in Table 2. As we expect at the country-product level, the most important drivers of tariff-line suspensions relate to a beneficiary country's economic relationship with the United States. In Models 7-10, both measures of import competition -- LABOR INTENSIVE IMPORTS and TOTAL IMPORTS are statistically significant at the .01 threshold. VALUE ADDED MANUFACTURING and the country's GDP PER CAPITA are also positively correlated with tariff suspensions. This is consistent with the logic that, among potential GSP beneficiaries, those countries with higher levels of economic development are the most important "threats" in terms of import competition. Critics of the GSP program have regularly targeted such countries as unjustifiable beneficiaries; this was particularly true for competitive exporters such as South Korea (in late 1980s) and Malaysia (in 1990s), and continues to be true for Brazil and others today.

Insert Table 2 here

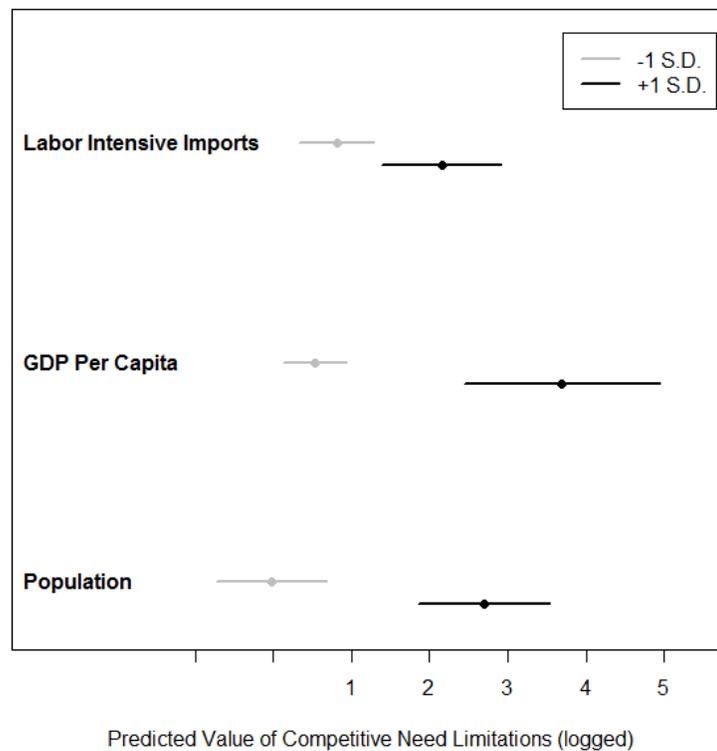
There is a clear relationship between actual or potential import competition and tariff line suspensions. However, as we expect, WORKER RIGHTS has no consistent statistical relationship with tariff line suspensions. In fact, in the only models where rights considerations approached conventional levels of statistical significance (Models 10 and 11), the positive sign suggests that countries with better worker rights practices were more, rather than less, likely to suffer tariff line suspensions. This result is consistent with the notion that GSP beneficiaries facing country-product level are altogether more likely to be competitive and relatively developed countries rather than countries with low labor standards.

To interpret the substantive importance of our findings, we calculate predicted values of CNLs.⁶⁰ As Figure 4 illustrates, the predicted value of CNLs doubles as we moved

⁵⁹ Given evidence of over-dispersion (i.e., alpha is statistic significantly different from zero), a negative binomial is more appropriate than a Poisson model.

from one standard deviation below the mean for labor intensive imports to one standard deviation above the mean. A shift of similar magnitude in the level of economic development (GDP per capita) or in country size (population) generated large predicted increases in CNLs as well. This finding illustrates the importance of economic competitiveness in CNL decisions – wealthier and larger countries pose a greater threat to economic interests in the US, and thus predict significantly higher levels of country-product suspensions.

FIGURE 4: WORKER RIGHTS AND COUNTRY-PRODUCT SUSPENSIONS: PREDICTED PROBABILITIES⁶¹



⁶⁰ The predicted probabilities discussed here are based on Model 8.

⁶¹ The plot illustrates the impact of varying the value of LABOR INTENSIVE IMPORTS/GDP PER CAPITA/POPULATION from [mean – 1 standard deviation] to [mean + 1 standard deviation] while holding all other variables at their mean values. The points represent predicted values of CNL VALUE (logged), and the lines segments represent the confidence intervals.

It is important to note that tariff line suspensions can result from violations of intellectual property rights as well as property rights (expropriations). Given that the USTR took actions to limit GSP eligibility for Argentina throughout the period of our data (2002-2009) and for India during 2002-2004, we also estimate models that exclude these countries. Our results remain consistent when we do so; full results are included in the data appendix.

As we expect, the empirical patterns at the country-product level are quite different from those at the country level. Decisions regarding limitations on specific products from GSP beneficiaries appear driven far more by economic and competitiveness concerns than by rights-related outcomes. To the extent that rights-related outcomes play some role at the country-product level, stronger rights protections predict more – not fewer – limitations on program access.

IV. Conclusion

The U.S. GSP program offers additional market access to exports from low- and middle-income countries, with the claim that this additional access will facilitate growth and development. This program, like many other contemporary trade arrangements, also allows for the consideration of worker rights: GSP legislation directs the U.S. government to consider rights in its granting of initial beneficiary status, as well as in its subsequent reviews of beneficiary status. Yet many critics note that the U.S. program – along with other GSP programs – does less to further economic development than it might, and that rights conditionality is an insufficient tool to effect changes in beneficiary governments' practices.

We provide a political rationale for these criticisms. We posit that the structure of the GSP program is one that allows for (and sometimes even facilitates) the linkage of rights with economic benefits. But the structure also allows for the consideration of domestic economic interests, in which firms and industries that are potentially affected by the arrival of lower-cost GSP imports are able to lobby for the exclusion (or inclusion) of such exports in the program. Hence, at the country level, rights considerations play at least some role—apart from material concerns—in determining beneficiary status. But country-level access is only part of the story: the GSP program statutorily excludes some products from the program, serving the demands of certain U.S. interest groups, but also reducing the benefit of the GSP to beneficiary countries. Moreover, at the country-product level, the USTR frequently excludes otherwise-eligible products (or offers continued access for otherwise-excluded products). These country-product exclusions are, unlike country-level beneficiary decisions, largely the result of material considerations over import competition. And country-product limitations on GSP are far larger, in terms of the reductions in program benefits, than country-level, rights-related exclusions. Hence, while the U.S. government is able to keep its stated commitment to consider rights at the country-level of the GSP program at little material cost, it also is able to serve the narrower interests of U.S. firms and industries at the product and country-product level, where rights appear to make little difference in the application of U.S. trade policy.

Finally, we do not explore in detail the third type of limitations on GSP, at the product level. These, however, offer another means by which a desire to assuage domestic interest groups has limited the program's coverage. Subsequent U.S. trade legislation and USTR decisions have revised this list slightly; approximately 1500 tariff lines are ineligible at the product level. These include steel, glass, certain electronics and footwear, textiles and

apparel, and a range of agricultural products. Product-level exclusions raise prices for U.S. consumers and reduce opportunities for GSP beneficiaries. For instance, in 2012, apparel and textile imports into the U.S. from GSP countries totaled \$24.7 billion dollars; one estimate suggests that \$3.8 billion in duties were paid on these imports.⁶² Indeed, as part of the USTR's 2011 announcement that it would increase its pursuit of development-related trade initiatives, the GSP Committee will consider extending preferences to imports of five types of cotton products from LDBDCs.⁶³ And, the Trade Preferences Extension Act of 2015, the most recent GSP renewal, grants the executive branch the option to designate luggage, handbags and flat goods as eligible articles, something for which a wide range of U.S. retailers had lobbied.⁶⁴ While we do not model the granting of product-level eligibility below, we note that it, too, reflects a domestic political process by which the scope of country-level GSP access is restricted.

⁶² Olson, Ryan. 2014. "The Generalized System of Preferences: Time to Renew and Reform the U.S. Trade Program." *Heritage Foundation Backgrounder* No. 2942.

⁶³ Details on the 2015 review are at

<http://www.regulations.gov/#!documentDetail;D=USTR-2015-0007-0001>

⁶⁴ <https://www.congress.gov/bill/114th-congress/house-bill/1295>. See, for instance, <https://www.wewear.org/aafa-on-the-issues/category/?CategoryId=132>. U.S. retailers argued that the U.S. no longer produced such items, so that product exclusions were not protecting U.S. jobs, but rather only increasing prices for U.S. importers and consumers.

TABLE 1: MODELS OF GSP SANCTIONING

	Model 1	Model 2	Model 3	Model 4	Model 5	Model 6	Model 7
	<i>Ordered Logit</i>	<i>Logit</i>	<i>R.E. Logit</i>	<i>Logit</i>	<i>R.E. Logit</i>	<i>Logit</i>	<i>R.E. Logit</i>
DV:	Review; Suspend (Ordered)	Petition Accepted	Petition Accepted	Under Review	Under Review	Suspended	Suspended
Variable Name							
Worker Rights	-0.560*** (0.22)	-0.409** (0.21)	-0.409** (0.21)	-0.557** (0.22)	-0.555** (0.22)	-0.962*** (0.36)	-0.914*** (0.35)
Labor Intensive Imports	0.257 (0.16)	0.278** (0.14)	0.261* (0.14)	0.260* (0.16)	0.254 (0.16)	0.002 (0.23)	-0.037 (0.23)
Unemployment	0.219*** (0.08)	0.343** (0.15)	0.334** (0.15)	0.220*** (0.08)	0.218*** (0.08)	0.174 (0.19)	0.159 (0.19)
UN Affinity	0.329 (0.48)	0.146 (0.61)	0.206 (0.60)	0.338 (0.48)	0.352 (0.48)	-0.015 (0.81)	0.191 (0.80)
Pres Party	-0.346 (0.31)	-1.207* (0.63)	-1.168* (0.62)	-0.344 (0.31)	-0.34 (0.31)	-0.481 (0.86)	-0.415 (0.86)
Dem. Congress	-1.198*** (0.40)	-1.342*** (0.45)	-1.272*** (0.45)	-1.201*** (0.40)	-1.182*** (0.40)	-0.66 (0.41)	-0.561 (0.41)
GDP Per Capita	-0.134 (0.10)	-0.108 (0.07)	-0.094 (0.07)	-0.136 (0.10)	-0.13 (0.10)	-0.221 (0.15)	-0.137 (0.15)
Value Added Mfg	0.060** (0.03)	0.045** (0.02)	0.046** (0.02)	0.060** (0.03)	0.060** (0.03)	0.070** (0.03)	0.073** (0.03)
Population	0.075 (0.22)	0.064 (0.21)	0.07 (0.21)	0.072 (0.22)	0.075 (0.22)	0.025 (0.36)	0.059 (0.35)
Intercept		-7.069*** (1.29)	-6.917*** (1.28)	-5.466*** (1.42)	-5.417*** (1.41)	-6.202*** (2.39)	-5.966** (2.38)
Cut Point 1	5.468*** (1.40)						
Cut Point 2	7.899*** (1.46)						
Pseudo R2	0.12	0.11		0.13		0.08	
N	3037	3037	3037	3037	3037	3037	3037
Countries in analysis	143	143	143	143	143	143	143

NOTES:

- Model 1 is an ordered logit model; the dependent variable is: 0 = no action taken, 1 = Petition Accepted and/or Continuing Review, 2 = GSP Suspended. Models 2, 4 and 6 are logit models. Models 3, 5, and 7 are rare events logit models.
- The table contains coefficients and standard errors, in parentheses.
- *Indicates significance at $p < 0.1$, ** at $p < .05$, *** at $p < .01$.

TABLE 2: MODELS OF PRODUCT-LEVEL SUSPENSIONS

	Model 8	Model 9	Model 10	Model 11
	<i>OLS</i>	<i>OLS</i>	<i>Neg Bin</i>	<i>Neg Bin</i>
DV:	CNL \$ value	CNL \$ value	Lines Suspended	Lines Suspended
Variable Name				
Worker Rights	0.243	0.296	0.700**	1.075***
	(0.25)	(0.25)	(0.29)	(0.30)
Labor Intensive Imports	0.333***		1.312***	
	(0.12)		(0.32)	
Total Imports		0.622**		2.326***
		(0.27)		(0.61)
GDP Per Capita	2.217***	1.759***	2.829***	1.325
	(0.51)	(0.62)	(0.73)	(0.84)
Value Added Mfg	0.023	0.039	-0.045	-0.013
	(0.04)	(0.04)	(0.03)	(0.05)
Population	1.272***	0.980**	1.598***	0.847
	(0.32)	(0.42)	(0.47)	(0.62)
UN Affinity	-0.787	-0.542	-1.861**	-0.562
	(0.57)	(0.53)	(0.81)	(0.75)
Intercept	-16.479***	-13.126***	-28.411***	-18.214***
	(3.35)	(4.21)	(4.66)	(5.99)
ln(alpha)			1.163***	1.221***
			(0.26)	(0.26)
N	795	795	795	795
AIC	3626.46	3624.05	1544.11	1549.11
R-squared	0.38	0.38		
Countries in analysis	128	128	128	128

NOTES:

- Models 8-9 are OLS models; the dependent variable is the log of the total value of goods excluded based on competitive need limitations. Models 10-11 are negative binomial models; the dependent variable is a count, and is coded as the annual number of tariff lines suspended from GSP eligibility for the country-in-question.
- The table contains coefficients and standard errors, in parentheses.
- *Indicates significance at $p < 0.1$, ** at $p < .05$, *** at $p < .01$.

DATA APPENDIX

VARIABLE	DESCRIPTION
WORKERRIGHTS	This variable measures the extent to which workers enjoy freedom of association at their workplaces and the right to bargain collectively with their employers. Coding is based on the U.S. State Department <i>Annual Country Reports on Human Rights Practices</i> . The variable is measured from 0-2, with 2 representing more favorable worker rights practices. The data are from the CIRI Human Rights database, http://www.humanrightsdata.org
LABOR INTENSIVE IMPORTS	Total exports from the country in question to the U.S., in a range of labor-intensive product categories. The variable includes export flows in SITC categories 61-65 and 81-85. The data were obtained from the UN COMTRADE database. Missing values were imputed using the MICE multiple imputation software in R. ⁶⁵
TOTAL IMPORTS	This variable measures the total of imports into the U.S. from each country (lagged). The majority of the data are from the UN COMTRADE database. In some instances, data were taken from the Correlates of War Trade Dataset and the U.S. Census Bureau Foreign Trade Statistics Database.
GDP PER CAPITA	Country GDP Per Capita in Constant U.S. dollars, logged. These data are drawn from Graham (2015). ⁶⁶
UNEMPLOYMENT	The annual unemployment rate, lagged one year. Data are from the U.S. Bureau of Labor Statistics.
VALUE ADDED MANUFACTURING	The value of census output less the value of census input (such as the value of materials/supplies for production and the cost of industrial services received). These data are from the UNIDO Industrial Statistics Database, INDSTAT2 - 2013 edition. Missing values were

⁶⁵ To identify labor intensive imports, we categorized imports by 2-digit SITC categories. All categories that measured below average on a scale of revealed comparative advantage were included (Richardson and Zhang 1999). The categories included SITC numbers 61-69, 75, 76, 78, 81-85, 88 and 89. Many of the products contained in these categories, however, are excluded from GSP eligibility. These exclusions cover many leather products (61), textiles and apparel products (65 and 84), footwear (83) travel goods (83). In a second coding for LABOR-INTENSIVE IMPORTS, we removed exports in the categories listed. Additionally, there was a fairly high rate of missing observations in the data. In the models presented, we adopted the common practice of setting missing values to 0, as bilateral trade of a zero or negligible value is often represented as a missing value in the COMTRADE data (Neumayer 2011; Baccini, Dur, Elsig and Milewicz 2011; Joseph, Horn and Kaunitz. 2008; Linders and Groot 2006). We added a small value to (1 dollar) to the trade figures to facilitate the logging of the variable. Results were consistent when we imputed missing values using the MICE package in R.

⁶⁶ Graham, Benjamin A.T. 2015. "The International Political Economy Data Resource." Available at SSRN: <http://ssrn.com/abstract=2534067>.

	imputed using the MICE multiple imputation software in R.
PRES PARTY	Coded 1 if president is a Republican; 0 otherwise.
DEMOCRATIC CONGRESS	Coded 1 if the House and Senate are controlled by the Democratic Party; 0 otherwise.
UN AFFINITY	This variable measures affinity between the U.S. and the country in question, based on UN voting record (lagged one year). These data are based on Voeten, Strezhnev, Michael (2009), updated 2015. ⁶⁷
PTS (STATE DEPT.)	Measures the level of political violence and terror based on a 5-category "terror scale." The original variable ranges from 1 (low level of political terror) to 5 (high level of political terror). To aid interpretation, we invert the scale. Data taken from the Political Terror Scale Database, http://www.politicalterroryscale.org
US GSP IMPORTS	Measures the total U.S. imports from each GSP beneficiary member, in current U.S. dollars. The data are available only from 1996 to 2011. This variable is taken from the USITC database. Available at http://dataweb.usitc.gov . We use the logarithmic transformation of this variable.
FH CIVIL LIBERTIES	A seven-point scale measuring a country's level of freedom in terms of civil liberties. These ratings are based on an evaluation of four subcategories: freedom of expression and belief, associational and organizational rights, rule of law, and personal autonomy and individual rights. The original scale ranges from 1 (free) to 7 (not free). We have inverted the scale to aid interpretation. These data are from Freedom House Freedom in the World database.
PRES PARTY	Coded 1 if president is a Republican; 0 otherwise. Based on authors' coding.

⁶⁷ Voeten, Erik; Strezhnev, Anton; Bailey, Michael, 2009, "United Nations General Assembly Voting Data", <http://hdl.handle.net/1902.1/12379>, Harvard Dataverse, V7.

DESCRIPTIVE STATISTICS: MODELS 1-7; 12-25

Variable	Obs	Mean	Std. Dev	Min	Max
Petitioner Accepted	3037	0.02	0.13	0.00	1.00
Under Review	3037	0.05	0.22	0.00	1.00
Suspended	3037	0.00	0.07	0.00	1.00
All Sanctions (Ordered DV)	3037	0.06	0.25	0	2
Affinity	3037	-0.53	0.30	-1.00	1.00
Pres Party	3037	0.47	0.50	0.00	1.00
Population	3037	28300000	102000000	0	1240000000
Polity	2564	2.21	6.33	-10.00	10.00
PTS (State Dept)	2900	2.61	1.10	1	5
Population (logged)	3037	6.67	0.89	3.98	9.09
GDP Per Capita (logged)	3037	2880.20	3513.85	53.10	30805.5
Worker Rights	3037	0.80	0.71	0	2
Total Imports	3026	1611.45	4590.90	0	52610.10
Labor Intensive Imports (logged)	3037	3.82	1.84	-0.4271284	7.16
Labor Intensive Imports (logged) (alt.)	3037	3.70	1.85	-0.4271284	7.15
Value Added Mfg (imputed)	3037	13.31	7.05	0.2370618	45.67
Total Imports (millions) (logged)	3037	1.98	1.20	0	4.72
Unemployment	3037	6.36	1.54	4	9.70
Democratic Congress	3037	0.24	0.43	0	1.00

DESCRIPTIVE STATISTICS: MODELS 8-11, 26-27

Variable	Obs	Mean	Std. Dev	Min	Max
CNL \$ Value (logged)	795	1.39	2.98	0.00	9.42
Tariff Lines Suspended	795	5.25	42.91	0.00	688.00
Labor Intensive Imports (logged)	795	4.02	1.80	-0.34	7.16
Total Imports (millions) (logged)	795	2.11	1.25	0.00	4.61
Affinity	795	-0.62	0.25	-1.00	1.00
GDP Per Capita	795	3.17	0.51	2.13	4.26
Value Added Mfg	795	12.59	6.92	0.24	41.72
Population (logged)	795	6.70	0.91	3.98	9.06
Affinity	795	-0.62	0.25	-1.00	1.00

TABLE 3 (APPENDIX): MODELS OF GSP SANCTIONING, WITH TOTAL IMPORTS VARIABLE

	Model 11	Model 12	Model 13	Model 14	Model 15
	<i>Ordered Logit</i>	<i>Logit</i>	<i>R.E. Logit</i>	<i>Logit</i>	<i>R.E. Logit</i>
DV:	Review; Suspend (Ordered)	Under Review	Under Review	Suspended	Suspended
Worker Rights	-0.543** (0.22)	-0.539** (0.22)	-0.537** (0.22)	-0.962*** (0.36)	-0.915** (0.36)
Total Imports	0.362** (0.18)	0.371** (0.19)	0.363* (0.19)	-0.022 (0.26)	-0.085 (0.26)
Unemployment	0.218*** (0.08)	0.219*** (0.08)	0.217*** (0.08)	0.174 (0.19)	0.161 (0.19)
UN Affinity	0.517 (0.52)	0.53 (0.52)	0.541 (0.52)	-0.02 (0.81)	0.16 (0.80)
Pres Party	-0.358 (0.31)	-0.356 (0.31)	-0.351 (0.31)	-0.481 (0.86)	-0.415 (0.86)
Dem. Congress	-1.198*** (0.39)	-1.205*** (0.39)	-1.185*** (0.39)	-0.658* (0.40)	-0.558 (0.40)
GDP Per Capita	-0.154 (0.12)	-0.156 (0.12)	-0.15 (0.12)	-0.214 (0.16)	-0.119 (0.16)
Value Added Mfg	0.068*** (0.02)	0.068*** (0.02)	0.067*** (0.02)	0.071*** (0.03)	0.072*** (0.03)
Population	0.007 (0.27)	0.001 (0.27)	0.005 (0.27)	0.05 (0.35)	0.105 (0.35)
Intercept		-4.662*** (1.71)	-4.631*** (1.71)	-6.346** (2.68)	-6.309** (2.67)
Cut Point 1	4.686*** (1.70)				
Cut Point 2	7.116*** (1.73)				
Pseudo R-squared	0.12	0.13		0.08	
N	3037	3037	3037	3037	3037
Countries in analysis	143	143	143	143	143

TABLE 4 (APPENDIX): MODELS OF GSP SANCTIONING (HECKMAN PROBIT MODELS)

	<u>Model 16</u>	<u>Model 17</u>	<u>Model 18</u>
	<i>Heck Prob</i>	<i>Heck Prob</i>	<i>Heck Prob</i>
Outcome Equation			
Worker Rights	-0.267*** (0.09)	-0.369*** (0.10)	-0.458*** (0.11)
Labor Intensive Imports	0.07 (0.05)	0.073 (0.06)	-0.042 (0.06)
Unemployment	0.125** (0.06)	0.096*** (0.03)	0.055 (0.05)
UN Affinity	0.142 (0.26)	0.22 (0.26)	0.257 (0.32)
Pres Party	-0.418** (0.21)	-0.123 (0.12)	-0.123 (0.22)
Dem. Congress	-0.547*** (0.15)	-0.586*** (0.15)	-0.269*** (0.10)
Value Added Mfg	0.024*** (0.01)	0.032*** (0.01)	0.028** (0.01)
Population	0.137 (0.09)	0.163 (0.11)	0.191 (0.14)
Intercept	-3.696*** (0.53)	-3.295*** (0.70)	-3.252*** (0.85)
Selection Equation			
Worker Rights	0.388*** (0.12)	0.385*** (0.12)	0.390*** (0.12)
Labor Intensive Imports	0.109** (0.05)	0.108** (0.05)	0.109** (0.05)
Unemployment	-0.014 (0.02)	-0.015 (0.02)	-0.014 (0.02)
UN Affinity	-0.564** (0.27)	-0.565** (0.28)	-0.567** (0.27)
Pres Party	0.005 (0.07)	0.009 (0.07)	0.006 (0.07)
Dem. Congress	0.171** (0.07)	0.170** (0.07)	0.170** (0.07)
GDP Per Capita	-0.134*** (0.01)	-0.134*** (0.01)	-0.134*** (0.01)
Value Added Mfg	-0.013 (0.01)	-0.013 (0.01)	-0.013 (0.01)
Population	-0.423*** (0.12)	-0.426*** (0.12)	-0.423*** (0.12)
Intercept	3.418*** (0.84)	3.439*** (0.83)	3.413*** (0.83)
rho	-0.445 (0.27)	-0.558 (0.36)	-0.967** (0.40)
Log pseudolikelihood	-1962.75	-2245.56	-1804.6
N	4653	4653	4653
Countries in analysis	187	187	187

Stage 1:

Beneficiary Status; Stage 2: Sanction (PETITION ACCPTD; CONT. REVIEW; SUSPEND)

TABLE 5 (APPENDIX): MODELS OF GSP SANCTIONING (HECKMAN PROBIT MODELS)

	<u>Model 19</u>	<u>Model 20</u>	<u>Model 21</u>
	<i>Heck Prob</i>	<i>Heck Prob</i>	<i>Heck Prob</i>
Outcome Equation			
Worker Rights	-0.117 (0.13)	-0.232** (0.10)	-0.227 (0.18)
Labor Intensive Imports	0.125 (0.19)	0.143 (0.09)	-0.063 (0.15)
Unemployment	0.189 (0.14)	0.189** (0.08)	0.141 (0.10)
UN Affinity	-0.037 (0.28)	0.005 (0.26)	0.068 (0.48)
Pres Party	-0.416* (0.25)	-0.198 (0.15)	-0.223 (0.31)
Democratic Congress	-0.448** (0.19)	-0.499*** (0.16)	-0.075 (0.25)
GDP Per Capita	-0.074*** (0.03)	-0.091*** (0.03)	-0.099 (0.07)
Value Added Mfg	0.014 (0.01)	0.023 (0.01)	0.012 (0.01)
Population	-0.121 (0.13)	-0.133 (0.12)	-0.182 (0.21)
Intercept	-2.655*** (0.66)	-2.234** (0.91)	-1.316 (1.52)
Selection Equation			
Worker Rights	-0.196** (0.09)	-0.201** (0.09)	-0.196** (0.09)
Labor Intensive Imports	0.205*** (0.06)	0.197*** (0.06)	0.206*** (0.06)
Unemployment	0.011 (0.02)	0.012 (0.02)	0.01 (0.02)
UN Affinity	-0.056 (0.25)	-0.043 (0.25)	-0.054 (0.25)
Pres Party	-0.006 (0.10)	-0.004 (0.09)	-0.01 (0.09)
Democratic Congress	-0.256*** (0.07)	-0.255*** (0.07)	-0.257*** (0.07)
GDP Per Capita	-0.073*** (0.02)	-0.073*** (0.02)	-0.073*** (0.02)
Value Added Mfg	0.029** (0.01)	0.029** (0.01)	0.029** (0.01)
Population	-0.069 (0.11)	-0.059 (0.11)	-0.071 (0.11)
Latin America	0.299 (0.19)	0.342** (0.16)	0.297 (0.19)
Intercept	-1.797*** (0.68)	-1.853*** (0.68)	-1.785*** (0.68)
rho	1.044 (1.99)	1.404*** (0.46)	0.39 (0.55)
Log pseudolikelihood	-1209.06	-1288.97	-1123.83
N	4297	4297	4297
Countries in analysis	187	187	187

Stage 1: Petition Filed (past 3

yrs); Stage 2: Sanction (PETITION ACCPTD; CONT. REVIEW; SUSPEND)

TABLE 6 (APPENDIX): MODELS OF GSP SANCTIONING, WITH ALT. WORKER RIGHTS VARIABLES: POLITY/PTS

	Model 22	Model 23	Model 24	Model 25
	<i>Logit</i>	<i>R.E. Logit</i>	<i>Logit</i>	<i>R.E. Logit</i>
DV:	Under Review	Under Review	Suspended	Suspended
PTS	0.368**	0.369***		
	(0.14)	(0.14)		
POLITY			-0.154***	-0.148**
			(0.06)	(0.06)
Labor Intensive Imports	0.234	0.227	0.057	0.012
	(0.15)	(0.15)	(0.28)	(0.28)
Unemployment	0.251***	0.248***	0.340*	0.317
	(0.08)	(0.08)	(0.20)	(0.20)
UN Affinity	0.33	0.347	0.703	0.958
	(0.50)	(0.50)	(0.86)	(0.85)
Pres Party	-0.372	-0.366	-0.555	-0.496
	(0.31)	(0.31)	(0.80)	(0.80)
Dem. Congress	-1.110***	-1.091***	-0.127	-0.056
	(0.42)	(0.42)	(0.43)	(0.42)
GDP Per Capita	-0.124	-0.117	-0.162	-0.026
	(0.10)	(0.10)	(0.18)	(0.18)
Value Added Mfg	0.066**	0.066**	0.064**	0.063**
	(0.03)	(0.03)	(0.03)	(0.03)
Population	-0.182	-0.178	0.328	0.358
	(0.27)	(0.27)	(0.56)	(0.56)
Intercept	-5.387***	-5.339***	-10.101***	-9.636***
	(1.55)	(1.55)	(3.64)	(3.63)
Pseudo R-squared	0.12		0.12	
N	2944	2944	2956	2956
Countries in analysis	120	120	137	137

TABLE 7 (APPENDIX): MODELS OF PRODUCT-LEVEL SUSPENSIONS (ROBUSTNESS CHECKS)

	<u>Model 26</u>	<u>Model 27</u>
	<i>OLS</i>	<i>OLS</i>
Dependent Variable	CNL \$ value	CNL \$ value
Worker Rights	0.158	0.204
	(0.25)	(0.25)
Labor Intensive Imports	0.316**	
	(0.12)	
Total Imports		0.617**
		(0.27)
GDP Per Capita	2.191***	1.715***
	(0.51)	(0.62)
Value Added Mfg	0.03	0.044
	(0.04)	(0.04)
Population	1.146***	0.834**
	(0.32)	(0.42)
UN Affinity	-0.728	-0.48
	(0.56)	(0.52)
Intercept	-15.501***	-11.992***
	(3.39)	(4.21)
DV	CNL \$ value	CNL \$ value
N	788	788
AIC	3582.63	3578.3
Countries in analysis	127	127
Note:	(India excluded)	(Argentina excluded)

FEDERAL REGISTER NOTICES REGARDING GSP SANCTIONS

Year Petition Accepted	Country	FR - Start	FR - End	Year Petition Accepted	Country	FR - Start	FR - End
1986	Guatemala	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1991	Mauritania	56 FR 42080 (Aug 26, 1991)	58 FR 37034 (July 09, 1993)
1986	Haiti	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1991	Panama	56 FR 42080 (Aug 26, 1991)	58 FR 37034 (July 09, 1993)
1986	S Korea	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1991	Sri Lanka	56 FR 42080 (Aug 26, 1991)	57 FR 30286 (July 08, 1992)
1986	Philippines	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1991	Thailand	56 FR 42080 (Aug 26, 1991)	58 FR 37034 (July 09, 1993)
1986	Suriname	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1992	Bahrain	57 FR 38088 (Aug 21, 1992)	59 FR 35970 (July 14, 1994)
1986	Taiwan	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1992	Fiji	57 FR 38088 (Aug 21, 1992)	59 FR 35970 (July 14, 1994)
1986	Zaire	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1992	Guatemala	57 FR 38088 (Aug 21, 1992)	58 FR 37034 (July 09, 1993)
1986	Chile	52 FR 389 (Jan 06, 1987)	52 FR 49137 (Dec 30, 1987)	1992	Indonesia	57 FR 38088 (Aug 21, 1992)	58 FR 37034 (July 09, 1993)
1986	Paraguay	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1992	Malawi	57 FR 38088 (Aug 21, 1992)	59 FR 35970 (July 14, 1994)
1986	Romania	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1992	Oman	57 FR 38088 (Aug 21, 1992)	59 FR 35970 (July 14, 1994)
1986	Nicaragua	52 FR 389 (Jan 06, 1987)	52 FR 389 (Jan 06, 1987)	1993	Peru	58 FR 53959 (Oct 19, 1993)	59 FR 35970 (July 14, 1994)
1987	Indonesia	52 FR 28896 (Aug. 04, 1987)	53 FR 11581 (Apr. 07 1988)	1993	Maldives	58 FR 53959 (Oct 19, 1993)	61 FR 52827 (Oct 08, 1996)
1987	Thailand	52 FR 28896 (Aug. 04, 1987)	53 FR 11581 (Apr. 07 1988)	1993	Dominican Republic	58 FR 53959 (Oct 19, 1993)	59 FR 65547 (Dec 20, 1994)
1987	South Korea	52 FR 28896 (Aug. 04, 1987)	53 FR 11581 (Apr. 07 1988)	1993	Costa Rica	58 FR 53959 (Oct 19, 1993)	59 FR 4965 (Feb 02, 1994)
1987	Taiwan	52 FR 28896 (Aug. 04, 1987)	53 FR 11581 (Apr. 07 1988)	1993	Pakistan	58 FR 53959 (Oct 19, 1993)	61 FR 52827 (Oct 08, 1996)
1987	Turkey	52 FR 28896 (Aug. 04, 1987)	53 FR 11581 (Apr. 07 1988)	1993	Paraguay	58 FR 53959 (Oct 19, 1993)	59 FR 4965 (Feb 02, 1994)
1987	Central African	52 FR 28896 (Aug. 04, 1987)	54 FR 16190 (Apr. 21, 1989)	1997	Belarus	62 FR 46792 (Sept 04, 1997)	65 FR 42595 (July 10, 2000)
1988	Myanmar	53 FR 33208 (Aug 30, 1988)	54 FR 16190 (Apr. 21, 1989)	1997	Swaziland	62 FR 46792 (Sept 04, 1997)	66 FR 2034 (Jan 10, 2001)
1988	Haiti	53 FR 33208 (Aug 30, 1988)	56 FR 20484 (May 03, 1991)	1999	Bangladesh	65 FR 38022 (June 19, 2000)	
1988	Israel	53 FR 33208 (Aug 30, 1988)	54 FR 16190 (Apr. 21, 1989)	2003	Guatemala	68 FR 52437 (Sept 03, 2003)	69 FR 40704 (July 06, 2004)
1988	Liberia	53 FR 33208 (Aug 30, 1988)	54 FR 16190 (Apr. 21, 1989)	2003	Swaziland	68 FR 52437 (Sept 03, 2003)	71 FR 25614 (May 01, 2006)
1988	Malaysia	53 FR 33208 (Aug 30, 1988)	54 FR 16190 (Apr. 21, 1989)	2005	Uganda	72 FR 2033 (Jan 17, 2007)	72 FR 2033 (Jan 17, 2007)
1988	Syria	53 FR 33208 (Aug 30, 1988)	57 FR 30286 (July 08, 1992)	2009	Bangladesh	74 FR 11141 (Mar 16, 2009)	65 FR 38022 (June 19, 2000)
1989	Benin	54 FR 32891 (Aug 10, 1989)	56 FR 20484 (May 03, 1991)	2009	Niger	74 FR 11141 (Mar 16, 2009)	...
1989	Indonesia	54 FR 32891 (Aug 10, 1989)	55 FR 19692 (May 10, 1990)	2009	Philippines	74 FR 11141 (Mar 16, 2009)	...
1989	Nepal	54 FR 32891 (Aug 10, 1989)	56 FR 20484 (May 03, 1991)	2009	Uzbekistan	74 FR 11141 (Mar 16, 2009)	...
1989	Thailand	54 FR 32891 (Aug 10, 1989)	55 FR 19692 (May 10, 1990)	2010	Sri Lanka (deferred since 08)	75 FR 40019 (July 13, 2010)	77 FR 41209 (July 12, 2012)
1989	Dominican Rep	54 FR 32891 (Aug 10, 1989)	56 FR 20484 (May 03, 1991)	2011	Georgia	76 FR 67530 (Nov 01, 2011)	...
1990	Bangladesh	55 FR 34878 (Aug 24, 1990)	57 FR 30286 (July 08, 1992)	2012	Iraq (deferred since 2008)	77 FR 41209 (July 12, 2012)	...
1990	El Salvador	55 FR 34878 (Aug 24, 1990)	59 FR 35970 (July 14, 1994)	2012	Fiji	77 FR 41209 (July 12, 2012)	...
1990	Sudan	55 FR 34878 (Aug 24, 1990)	56 FR 20484 (May 03, 1991)				