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

Emilie Hafner-Burton (UCSD), Layna Mosley (UNC) and Rob Galantucci (UNC)

IPES Meeting, November 2015
Overview

- Is rights-based conditionality an effective tool for protecting human and worker rights?
  - Governments increasingly condition market access (PTAs, BITs) on human rights, labor and environmental outcomes.
  - Bangladesh GSP suspension, June 2013 (under review 2007)

- How effective are these attempts at linkage?
  - Appease domestic groups, but do little else?
  - Weak enforcement mechanisms in many agreements.
  - But ex ante compliance *(Kim 2012)*; additional leverage for local activists *(Murillo and Schrank 2005; Kay 2011)*?

- Might these linkages instead serve material, protectionist goals?
US GSP: The Argument

• US GSP:
  • Unilateral, duty-free entry for ~3500 products, currently 122 beneficiary countries.
  • Created in 1974; worker rights provisions added in 1984.
• The GSP’s structure allows the US government to have it both ways.
  • Country level: rights matter for review of petitions to suspend and for actual suspension.
  • Country-product level: potential import competition is more important; rights not significantly associated with outcomes.
  • (Note also product-level rules)

• Empirics: new data on US GSP beneficiaries, 1986-2013
The US GSP Program

• Country-level eligibility depends on
  • Income threshold (BDCs, LDBDCs)
  • Exclusions for Communism; expropriations; commodity cartel membership; failing to support US anti-terrorism efforts.
  • FTA with US (excludes)
  • Adequate and effective protection of IPR
  • Taking steps to afford internationally recognized workers’ rights and eliminate worst forms of child labor [1985]

• Worker rights assessments rely on petition process
  • US interest groups (e.g. AFL-CIO, ILRF)
  • Since 1985: 180 petitions, addressing 56 countries.
  • Petitions reviewed by USTR GSP Subcommittee
  • Executive branch interest in responding to country-level, rights-based claims (visibility)
The US GSP Program (I)

• Product level
  • GSP legislation excludes some categories of products.
    • Textiles, apparel, footwear, ceramics, import-sensitive electronics.
    • And gives executive branch discretion to adjust these exclusions, based on import sensitivity.

• Country-product level
  • When GSP imports of a good exceed certain thresholds, they are exempted from coverage (CNLs).
  • Waivers of CNLs also possible.
  • A less transparent and public process (potential for obfuscation, e.g. Kono 2006).
The US GSP Program (II)

• Country-level exclusions are materially cheap:
  • 2002-2009, average annual value of goods excluded based on worker rights grounds was $216 million.
    • Less than 1 percent of total GSP imports.

• Compare with country-product exclusions, via CNLs
  • $6.5 billion annually, on average.
Hypotheses

- Country-level GSP actions will be, in part, explained by rights concerns.
  - All else equal, worse rights outcomes make petition acceptance, continuing review and suspension more likely.

- Country-product (and product) GSP actions privilege material considerations.
Country Level Outcomes

• Ordered logit, logit and rare events logit models
  • 1986-2013
  • Dependent variables: petition accepted; continuing review; benefits suspended (dichotomous or combined scale)

• Correlates of sanctioning:
  • Worker rights (CIRI); (always significant)
  • Labor intensive imports (significant for acceptance, review)
  • Value added in manufacturing (always significant)

• Other significant independent variables
  • Unemployment rate
  • Democratic Congress (both houses; negative)

• Included, not statistically significant
  • Strategic importance (UN affinity score)
  • Population
  • President’s party
  • GDP per capita
Country-Level Outcomes
Predicted Probabilities: Worker Rights and Sanctioning
Country-Product Level Outcomes

• Logit, rare events logit and ordered logit analyses
  • Dependent variables (2002-2009)
    • $ value of CNL (logged, OLS)
    • # of product lines suspended (negative binomial)
• Correlates of suspensions:
  • Labor intensive imports (+) OR total imports (+)
  • GDP per capita (+)
  • Population (+)
• Worker rights: + and significant in models estimating lines suspended, but not value of suspensions
  • Better rights associated with more suspensions
• Other variables included, but not significant:
  • Strategic ties (UN affinity)
  • Value added in manufacturing
Country-Product Level

Predicted Value of Competitive Needs Limitations (logged)
Conclusions

• Country-level actions are significantly associated with worker rights outcomes.
  • And, for some types of outcomes, with labor intensive imports.

• Decisions regarding limitations on specific products from GSP beneficiaries appear driven far more by economic and competitiveness concerns than by rights-related outcomes.

• Given the relative value/cost of the country vs. country-product level, beneficiaries face only very small costs to violating worker rights.
Supplemental Information
### Model 1: Ordered Logit

The dependent variable is ordered with categories: 0 = no action taken, 1 = Petition Accepted and/or Continuing Review, 2 = GSP Suspended.

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

- Model 1 is ordered logit; the dependent variable is: 0 = no action taken, 1 = Petition Accepted and/or Continuing Review, 2 = GSP Suspended. Models 2, 4 & 6 are logit models. Models 3, 5 & 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>
<thead>
<tr>
<th>Variable Name</th>
<th>Model 8</th>
<th>Model 9</th>
<th>Model 10</th>
<th>Model 11</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>OLS</td>
<td>OLS</td>
<td>Neg Bin</td>
<td>Neg Bin</td>
</tr>
<tr>
<td>DV:</td>
<td>CNL $ value</td>
<td>CNL $ value</td>
<td>Lines Suspended</td>
<td>Lines Suspended</td>
</tr>
<tr>
<td>Worker Rights</td>
<td>0.243</td>
<td>0.296</td>
<td>0.700**</td>
<td>1.075***</td>
</tr>
<tr>
<td></td>
<td>(0.25)</td>
<td>(0.25)</td>
<td>(0.29)</td>
<td>(0.30)</td>
</tr>
<tr>
<td>Labor Intensive Imports</td>
<td>0.333***</td>
<td>1.312***</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>(0.12)</td>
<td>(0.32)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Total Imports</td>
<td></td>
<td>0.622**</td>
<td>2.326***</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>(0.27)</td>
<td>(0.61)</td>
<td></td>
</tr>
<tr>
<td>GDP Per Capita</td>
<td>2.217***</td>
<td>1.759***</td>
<td>2.829***</td>
<td>1.325</td>
</tr>
<tr>
<td></td>
<td>(0.51)</td>
<td>(0.62)</td>
<td>(0.73)</td>
<td>(0.84)</td>
</tr>
<tr>
<td>Value Added Mfg</td>
<td>0.023</td>
<td>0.039</td>
<td>-0.045</td>
<td>-0.013</td>
</tr>
<tr>
<td></td>
<td>(0.04)</td>
<td>(0.04)</td>
<td>(0.03)</td>
<td>(0.05)</td>
</tr>
<tr>
<td>Population</td>
<td>1.272***</td>
<td>0.980**</td>
<td>1.598***</td>
<td>0.847</td>
</tr>
<tr>
<td></td>
<td>(0.32)</td>
<td>(0.42)</td>
<td>(0.47)</td>
<td>(0.62)</td>
</tr>
<tr>
<td>UN Affinity</td>
<td>-0.787</td>
<td>-0.542</td>
<td>-1.861**</td>
<td>-0.562</td>
</tr>
<tr>
<td></td>
<td>(0.57)</td>
<td>(0.53)</td>
<td>(0.81)</td>
<td>(0.75)</td>
</tr>
<tr>
<td></td>
<td>(3.35)</td>
<td>(4.21)</td>
<td>(4.66)</td>
<td>(5.99)</td>
</tr>
<tr>
<td>ln(alpha)</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>1.163***</td>
<td>1.221***</td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>(0.26)</td>
<td>(0.26)</td>
</tr>
<tr>
<td>N</td>
<td>795</td>
<td>795</td>
<td>795</td>
<td>795</td>
</tr>
<tr>
<td>AIC</td>
<td>3626.46</td>
<td>3624.05</td>
<td>1544.11</td>
<td>1549.11</td>
</tr>
<tr>
<td>R-squared</td>
<td>0.38</td>
<td>0.38</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Countries in analysis</td>
<td>128</td>
<td>128</td>
<td>128</td>
<td>128</td>
</tr>
</tbody>
</table>

- 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.
GSP Status Onset

• Vast majority of beneficiaries are granted status during the first year in which they are (given non-rights criteria) eligible.
  • Through 1984: median time to status is 0 years, with a mean of 0.15 years.
  • 117 countries granted status between 1976 and 1984.
  • Slows after 1985
    • 42 countries granted status between 1985 and 2013.
    • Median onset time of 4 years; mean of 5.7 years.

• Robustness check: model country level as two-stage process (Tables 4 and 5)
  • Selection: onset of status (Table 4); petition filing (Table 5)
  • Rights matter for selection stage as well as outcome.
  • Generally little evidence of a relationship between the stages.
Tariff Line Suspensions

Country-Product Line Suspensions (Top 15)

- India
- Argentina
- Brazil
- Colombia
- Dominican Rep
- Peru
- Indonesia
- Turkey
- Ecuador
- Thailand
- Russia
- Venezuela
- Costa Rica
- Pakistan
- Guatemala

Average Annual Tariff Lines Suspended (2002-2009)
Petitions: Summary

Figure 1: Petitions Filed, by Year

Petition Filers (134 of 178)
- AFL-CIO: 89
- ILRF: 30
- HRW and affiliates: 12
  and 20 other groups

Petition Acceptance Rates:
- 51% overall
- 58% AFL-CIO
- 30% ILRF
More Information on Petitions

- US Generalized System of Preferences country petition process.
  - Involve 56 beneficiary countries.
  - 91 petitions accepted for further review
  - 34 end in a determination that a government “taking steps”
  - 16 culminate in country level suspensions of benefits