Foreign Governments and the Politics of GSP-Eligible Products

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Abstract

The United States provides tariff-free access to nearly 5,000 goods imported from developing countries under the Generalized System of Preferences (GSP). The list of "eligible" products, however, is subject to change. US import-competing constituents, and their representatives in Congress, often lobby to have goods removed. Eligible goods are also limited by quantitative and financial competitive needs limitations, triggering suspensions. What is less known about GSP is that products can also added. American importers and retailers, in addition to foreign exporters and governments, for example, can petition to have new goods made GSP eligible. We argue that interventions by foreign governments are likely to increase the odds of adding a product for tariff-free treatment because they must weigh the marginal commercial benefit against the marginal cost of being audited and suspended for violating GSP's conditionality, including labor and environmental standards. We test our hypothesis on an original dataset of over 2,500 product-line reviews and 2,800 product line-year review participants. Our findings bear out that foreign governments play a gate-keeping role in the political economy of GSP.

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Introduction

In 2019, the government of Ecuador petitioned to add fresh cut roses to the list of goods eligible for duty-free treatment under the US's Generalized System of Preferences (GSP). The Society of American Florists and the Association of Floral Importers of Florida (AFIF) supported the Ecuadorian position, arguing that "removing the duty will not harm domestic growers; and domestic growers cannot fill U.S. market demand." At the same time, The Colombian government, The California Cut Flower Commission, Certified American Grown (an industry group representing growers and florists), three members of the US House of Representatives from California, and Chevron,[4] all opposed the petition. The Ecuadorian government noted their developmental need, stating that "supporting the flower exporting sector is essential in order to maintain employment levels, especially in the rural highlands of Ecuador, and continue the economic development that this sector has brought and the very positive social impact in the region." The petition was granted by the US government.

What makes this case interesting is that it was costly for the Ecuadorian government to weigh in. The country's commercial interest at stake could just as easily have been pitched by American importers and Ecuadorian exporters. But the government had to balance this against the marginal cost of having the US government audit the industry, and the wider economy, for compliance with labor and environmental standards, for example. Since noncompliance could result in the country as a whole being suspended from GSP, the Ecuadorian government's intervention should carry more weight with the United States Trade Representative (USTR), which advises the president on whether an addition would promote the economic well-being of a "beneficiary" without hurting American import-competing industries.

For nearly five decades, the US has offered developing countries "trade as aid" through GSP. The program extends zero-tariff market access on nearly 5,000 products imported from 129 "beneficiary" nations. The list of GSP-eligible goods is subject to change. Products that pose a competitive threat to US economic interests can be removed, while those that can help diversify a beneficiary's economy might be added. Scholarly and policy studies typically focus on petitions to subtract goods. This paper provides one of the first empirical assessments of the politics of adding products to GSP.

[4] Chevron was in a year's long dispute with Ecuador over its refusal to recognize an arbitral award over a bilateral investment treaty dispute.

The legislative basis for GSP is the 1974 Trade Act, which calls for promoting exports from beneficiaries while preventing harm to US import-competing industries (Graham 1978). The president is supposed to strike this balance, acting on the recommendations of the GSP Subcommittee of the Trade Policy Staff Committee (TPSC), which is chaired by the Office of the United States Trade Representative (USTR). TPSC conducts annual reviews, and considers petitions from US import-competing companies and retailers, as well as foreign governments, making politics central in determining the list of GSP-eligible goods. GSP in the United States has been suspended routinely as it comes up for renewal (as of this writing, it is currently suspended), but has always been reinstated.

Goods can be withdrawn, suspended or limited at the president's discretion, which explains the interest in subtractions. In practice, most subtractions result when a good exceeds the 50% cap on imports from a single beneficiary or set dollar value, known as a "competitive need limitation" (CNL). The president can issue a CNL "waiver," however, if the beneficiary has opened its market to US exports, there is no domestic source of the good, or where total imports of the product from all countries are de minimis.

Additions, on the other hand, are meant to increase exports from a beneficiary to further its economic development. Several factors are taken into account in this regard, including the implications for US import-competing industries, which can lobby against additions. American retailers and developing-country exporters have a clear commercial interest in getting more items off of GSP, as do foreign governments. Yet, we argue that petitions from foreign governments are a more credible signal that an addition would contribute to the developmental goals of the beneficiary, and thus should carry more weight with TPSC. This is because a foreign government must weigh the marginal trade benefits of an additional product against the marginal cost of having another industry scrutinized for compliance with labor and environmental standards, putting the whole country at greater risk of suspension from GSP. However, these interests must be offset against domestic opposition from private, import-competing firms.

To investigate our hypotheses on the politics of GSP outlined above, we combine our dataset with all publicly available investigations into the cases made by the United States International Trade Commission (USITC), which detail the claims made in the case, as well as the petitioners, public supporters of the petition, and opposition. We code the type and location of the entities involved in the reviews in order to analyze how the presence of different types of actors in different roles influences the likelihood of GSP review success. We then supplement these statistical findings with a short case vignette of a GSP review. Our innovative new dataset allows us to unpack how political and economic factors impact the likelihood of success in GSP review. Our results suggest that favorable outcomes are much more likely when they align with the interest of a foreign government, but much less likely when opposed by domestic firms.

The paper proceeds in the next section with an overview of GSP and the review process in particular. This is followed by our theory on the role of foreign governments, and foreign and domestic firms in the review process. We next present an overview of our new dataset on GSP reviews and tests of our hypotheses. In the final section, we conclude and offer further suggestions for further work on this innovative dataset.

The Generalized System of Preferences

GSP was formalized in a meeting of the United Nations Conference on Trade and Development (UNCTAD) in New Delhi in 1968. There, a group of rich and poor countries began work on a program of non-reciprocal and non-discriminatory tariff preferences to help poor countries. The UNCTAD process ended with a system where individual GATT member states could unilaterally decide which and to whom preferences to offer. The United States' GSP scheme was written into the 1974 Trade Act and launched in 1976. It was intended to give "trade as aid" by offering one-way tariff preferences to developing countries on eligible goods (Graham 1978). US-GSP covers nearly 5,000 tariff lines on imports from 129 developing countries. Yet whether or not it is successful from the perspective of developing country exporters or US importers is an open question. The hope was that these preferences would enable beneficiary countries to increase and diversify their trade with the US, thereby supporting sustainable development as an alternative to foreign aid. At the same time, GSP aims to benefit U.S. importers by reducing costs on a wide array of products from developing countries, thereby enhancing the affordability and diversity of goods available in the U.S. market (CRS 2023).

Although US-GSP represents a modest share of total U.S. imports eligible for tariff concessions, it plays a pivotal role in advancing the United States' economic and strategic interests. Economically, the GSP program supports U.S. firms by lowering the cost of imported inputs and components, enhancing their global competitiveness. Strategically, it fosters stronger bilateral ties with developing nations, serving as a diplomatic tool that promotes economic development and political stability in beneficiary countries. Further, GSP's selective benefits encourage countries to adhere to U.S. standards on labor rights and environmental protection, aligning with the broader goals of U.S. foreign policy. Overall, GSP is an instrument of economic and foreign policy for the US, extending beyond its direct impact on import volumes.

Beyond the positive impact for the US, GSP was designed to enhance the competitiveness of exports from developing countries and thereby boost their exports (CRS 2021). Indeed, the GSP program is intended to promote industrialization by allowing developing countries to partake more fully in international trade. This access is pivotal as it facilitates the diversification of exports beyond traditional commodities, which are often subject to global price volatility. Some evidence credits GSP with stimulating exports from developing countries (see Hoekman and Ozden, 2005, for a survey), but at the same time, its overall effectiveness for stimulating exports for developing countries has been questioned by several studies (Bureau et al., 2007; Hakobyan, 2015). And despite its scope, the program's overall impact may be limited by exclusions to the program. These mixed outcomes raise questions about the criteria and strategic considerations that guide the inclusion or exclusion of products and countries in the GSP program.

The US's original list of GSP-eligible goods took cues from the United Nations Conference on Trade and Development, which took the intellectual lead in devising this "trade as aid" program. Since then, changes to the list have reflected economic and political factors. For example, certain products are ineligible for GSP to protect American industries over concerns about labor standards, national security or market sensitivities, for example. Developing countries have worried since the beginning about the prospect that they could be suspended from GSP for issues ranging from workers rights to good governance.[5] US legislation stipulates a variety of mandatory and discretionary conditions for suspension, with compliance with investor and intellectual property rights, respectively, being among the more salient. And while graduations far exceed suspensions, suspensions make headlines. For example, the US suspended Nicaragua (1987), Paraguay (1987), Romania (1987), Chile (1988), Sudan (1991) Belarus (2000) and Bangladesh (2013) for workers' rights; Argentina (2012) for noncompliance with two arbitral decisions under their bilateral investment treaty; and India (1992), Argentina (1997) and Ukraine (2001 and likely 2013) for intellectual property

[5] GATT Document C/M/69.

rights.[6] Not surprisingly, Brazil's view, which it shared with the WTO, is that GSP can be seen as "a tool of foreign policy of developed countries…"[7]

Products and even countries can be removed from GSP eligibility based on economic, political and social factors. For example, Communist countries have been ineligible for GSP access from the initiation of the program. Certain products are ineligible for GSP in order to protect domestic industries, due to labor concerns, or because of national security or market sensitivities. For example, textiles, apparel, and footwear are ineligible as these industries historically had a substantial presence in the US and had been significant employers—necessitating protection for domestic industries. At the same time, these products are subject to various trade agreements and could disrupt existing and on-going trade agreements (CBO 1991).

Beyond overall country or product exclusions, there are a series of avenues by which products can be added to or removed from access to GSP. The US Congress has periodically enacted amendments to GSP legislation that grants the President the authority to extend duty-free access to certain goods previously deemed 'import-sensitive'. This access is contingent on USITC analysis to assesses the potential impacts on the US market of granting additional GSP access.

On a more routine basis, the U.S. Trade Representative (USTR) administers an ongoing review process that responds to petitions from stakeholders, such as U.S. businesses and foreign governments. This process can lead to the addition or removal of products, adjustments in country eligibility, or modifications to competitive need limitations (CNLs). USTR, together with the USITC manage the process of adding and removing products from GSP.

USTR is tasked with ensuring that beneficiary countries comply with statutory requirements, including labor standards, intellectual property rights and equitable market access. For example, in 2020 USTR suspended trade preferences for Thailand due to insufficient market access for American pork products (USTR 2020). USTR can close eligibility reviews positively in recognition of improvements in eligibility criteria, such in the cases of Georgia (worker rights), Uzbekistan (worker rights and intellectual property rights), and Indonesia (market access).

To keep the list of GSP-eligible products current and reflective of ongoing economic and trade developments, stakeholders, including foreign and domestic governments and

[6] This is not an exhaustive, but rather illustrative, list. We thank the Office of the United States Trade Representative for these data.
[7] WTO Document WT/DSB/M/167, 19.

businesses, can directly petition the USTR through a yearly review process. Petitioners are able to request a host of changes to the list of GSP products, the focus being on subtractions, additions, and CNL waivers.

While adding and removing products is straightforward, at least in theory, a pivotal aspect of the GSP review mechanism involves CNLs, which dictate the removal of GSP benefits from products that surpass designated thresholds either in import value or U.S. market share. Specifically, a product loses its GSP eligibility if it accounts for more than 50% of total U.S. imports of that product or if it exceeds a monetary threshold established by the USTR. The rationale behind CNLs is to distribute GSP advantages across a broad array of participating countries, ensuring no single nation disproportionately benefits from the program. Nonetheless, these limitations can be subject to exemptions. This design is strategic, preventing any country from dominating the benefits of the GSP by excluding products that breach certain critical economic benchmarks in the U.S. market. (USTR 2020).

Once petitions have been submitted, they generally fall into one of three categories. In the most simple cases, there is simply not enough information submitted or support demonstrated for the petition, and they are denied or dismissed outright. Or, in more straightforward cases where the economic and policy benefits are more evident and unlikely to be disputed, they are simply approved. In the second case, the USTR engages in less formal interagency consultations with other agencies involved in recommending changes to the President regarding GSP, including the Department of Commerce and the State Department to resolve any potential economic impacts or policy implications from these petitions, without public hearings. The final category involves in-depth analysis of the potential consequences of the submission by the USITC—these findings are sometimes, but not always made public—and the recommendation of the USITC is never public. These findings help to inform TPSC's recommendations, along with input from the petitioners and other "interested parties" for and against the proposed modification. The president is meant to take these recommendations into account when deciding to whether to subtract or add a product.

While the basis for the approval or denial of petitions certainly takes into account the economic need of the exporting country and perhaps more the market for these goods within the United States, there is a great deal of space within this process for the strategic interests of the US to come into play. Hidden within what appears to be a simple trade preference for developing countries to be able to compete in the US market may be a political process that enables domestic producers, domestic importers and foreign governments to "apply" to add and remove products from GSP. Although the process appears straightforward, it is far from transparent, potentially allowing for what should be a neutral process to become political.

Trade Politics and GSP Review

The domestic politics of market access is inherently complex, involving a variety of stakeholders with competing interests. Market access agreements typically impact three types of domestic non-state interests: export-oriented, import-competing, and import-dependent groups (Eckhardt & Poletti, 2016; Kim & Osgood, 2019). However, the Generalized System of Preferences (GSP) introduces additional layers of complexity by involving foreign actors, notably foreign exporting firms and, perhaps most importantly, foreign governments. These are the key players in the GSP review process, each with distinct interests and varying levels of credibility in their petitions for GSP review, we turn now to their particular interests.

Foreign exporters are primarily motivated by commercial interests, focusing on maximizing their market access and profitability. Their narrow focus makes their petitions less credible in isolation (Grossman & Helpman, 1994). The influence of multinational corporations and their lobbying efforts in shaping trade policy has been well documented, illustrating the power dynamics between private interests and public policy (Kim, 2017; Osgood, 2018).

Domestic import-competing groups aim to protect their market share and profitability by lobbying against GSP additions that would increase competition. These groups, often joined by their political representatives, represent a significant source of opposition in the review process (Grossman & Helpman, 2002). At the same time, domestic benefit directly from GSP additions through reduced costs and increased product variety. They advocate for the inclusion of new products under GSP to enhance their supply chains and profitability. Importers, therefore, often mobilize support from industry groups and lobby to influence the review process in favour of granting GSP benefits (Alt et al., 1996).

Intuitively, foreign governments should be expected to have a fuller view than domestic private interests of how an addition might contribute to their economic development goals. Foreign governments have commercial and broader economic as well as political objectives. Increasing export opportunities under GSP should lead foreign governments to lobby aggressively, and yet they participate in just over half of the petitions filed in the period under review, the implication being that this involvement is costly. This cost has two components to it. The first concerns the fact that each addition translates into another industry for the US to monitor for compliance with labor and environmental standards. These are the foremost eligibility criteria in successive reauthorizations of GSP since the program debuted in 1976. And while beneficiaries can be audited on a country level, additions shine a spotlight on where to look for infractions.

Second, any infractions can lead to the suspension of the beneficiary itself, not just the one-off good. Private interests are highly doubtful to internalize this concern, but foreign governments run the risk of a widespread domestic political backlash for being suspended, regardless of whether they are held to account by an electorate or a selectorate.

Each additional product included in GSP increases the marginal risk of an investigation into compliance with GSP criteria, such as labor standards and environmental regulations. This risk acts as a deterrent for foreign governments to indiscriminately petition for GSP additions. The potential for heightened scrutiny ensures that only products with significant developmental benefits and minimal risks are petitioned for inclusion (Bagwell & Staiger, 1999). This risk calculation by foreign governments adds a layer of credibility to their petitions, as they must consider the broader economic and political implications of each addition.

US Adjudication of GSP Review

With some understanding of the level of credibility of foreign actors in the GSP process, we turn to the politics within the review process. In the context of GSP review, the adjudicator is the United States' President, via the United States Trade Representative. Ultimately, then we would expect the outcomes of GSP reviews to be a function of the political interests of the US executive. But these interests are complicated and multi-faceted. The US executive needs to balance the complicated politics of US domestic trade-related interests with the more nuanced politics of foreign policy aims and objectives. For any given review, the executive's interest will be determined by the balance of export-oriented, import-competing, and import-dependent domestic interests offset against the foreign policy importance of the foreign state or firm.

Domestic importers benefit directly from GSP additions through reduced costs and increased product variety. They advocate for the inclusion of new products under GSP to enhance their supply chains and profitability. Importers, therefore, often mobilize support from industry groups and lobbyists to influence the review process in favor of granting GSP benefits. In contrast, domestic, import-competing firms, have the potential to suffer direct harm which may induce loss of revenues, job loss, or bankruptcy. These firms often enlist the assistance of trade associations and/or politicians and, indeed, we identify 44 cases where one or more members of the US Congress join the review as an opposition party.

Our expectations of the US executive’s political interests by entity type boil down to two concerns. Domestically, the US executive is concerned with the electoral consequences of review success or failure for the domestic entities. When these entities are firms or trade associations, this boils down to the electoral consequences of trade adjustment for the firm depending on the review outcome (Kim and Pelc 2021; Rickard 2023). However, the entities in some reviews also include members of the US Congress, in which case the direct electoral effects are compounded by concerns over other legislative goals the US executive might hold. For the foreign actors, the calculus will largely rest on the economic and strategic importance of the foreign state where the firm resides. This calculus might be driven by the importance of the foreign state as a destination for US exports, as a source of natural resources, of as a geo-strategically important partner.

We propose the following hypotheses:

H1: Petitions submitted by foreign governments are more likely to be granted compared to those submitted solely by foreign exporters or US importers.

H2: Products that align with US economic interests and strategic goals are more likely to be granted.

H3: Petitions opposed by US domestic interests will be less likely to be granted compared to unopposed petitions.

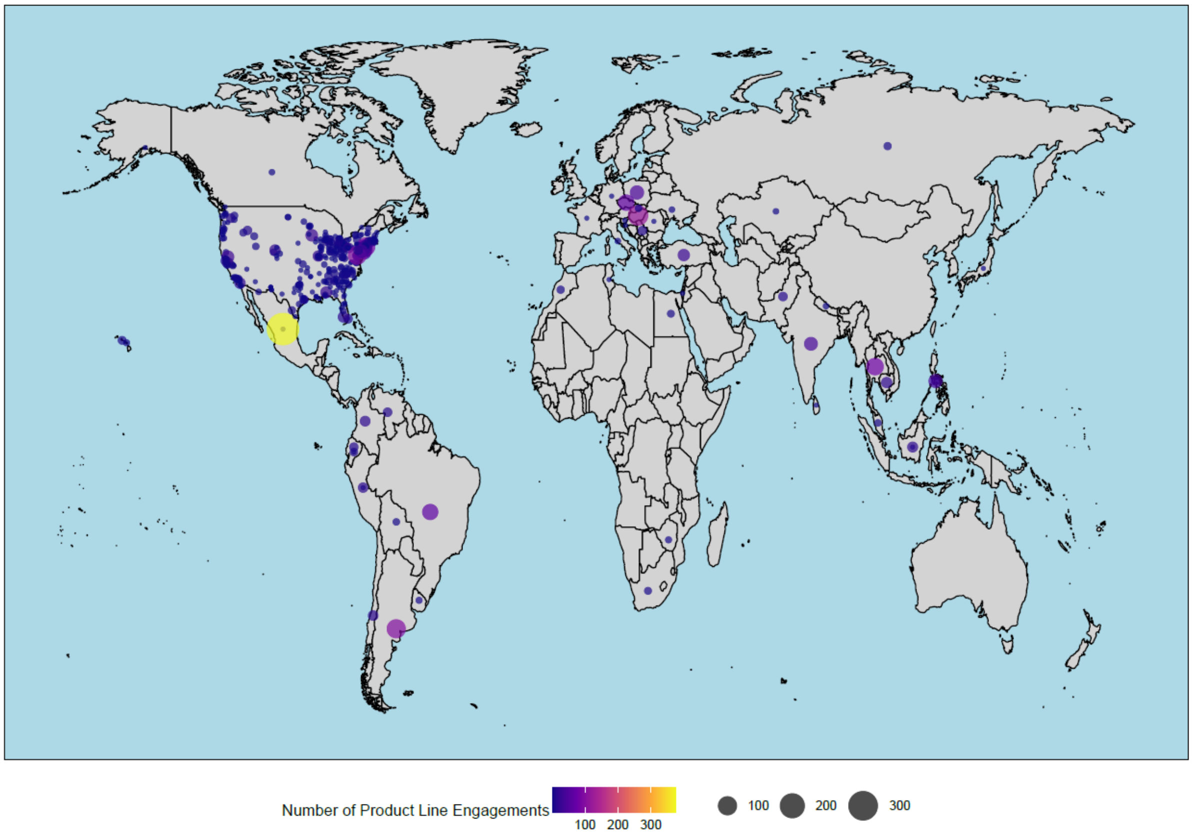
Taken together, our framework highlights the importance of credibility and strategic filtering in the GSP review process. Foreign governments act as gatekeepers, ensuring that only petitions with a high likelihood of success are submitted, thus enhancing their credibility. The US executive's decision-making is influenced by a mix of economic benefits, political pressures, and foreign policy considerations.

Data and Method

To investigate our expectations on US GSP review success, we have collected data on all reviews between 1988 and 2019. These data were gathered directly from the USTR. In total, the USTR conducted 2,581 product-line reviews during this period where products are considered at the 8-digit level of the Harmonized Tariff Schedule (HTS). No reviews were conducted in 1994, 1996 or 2000 when the GSP had lapsed under US law. Of these reviews, 1,634 were to add GSP product-line access, 142 were to remove access, 301 were to redesignate a product, 495 were to consider a competitive needs limitation (CNL) waiver, while the remaining 9 were "other" requests.

In the analyses below, we have data at two "levels". At the direction of the President, the USTR conducts annual review of GSP access. The USTR can self-initiate, or GSP reviews can be initiated by the foreign or domestic actors described above. At the first "level" – the "population" level, the USTR conducts an initial, internal, analysis of all review requests. At this stage, the USTR may summarily accept or deny the requests of refer them to the USITC for further analysis, the second "level". A super-majority (72%) of requests received by the USTR are not sent to the USITC for analysis. Of these, the vast bulk (91%) are unsuccessful in their aim. Thus, the first stage is largely a screening process whereby the USTR filters out petitions based on a wide range of criteria. Petitions fail at this stage for reasons, among others, of summary rejection, because the petitions are statutorily prohibited, they are "domestically sensitive" or are unnecessary (because GSP access already exists for the product). At the population level, we only have information on petitioner status and characteristics. Accordingly, we use this level to evaluate the impact of a foreign government petitioner on petition success. Our main explanatory variable of interest is whether a case has a petitioner that is a foreign government or not. We model this as a dichotomous variable where Government Petitioner is equal to 1 if a non-US government entity is listed as a petitioner in the USTR data. We considered it to be a government entity if any ministry, department, embassy or simply the overall government was listed as a petitioner and 0 otherwise.

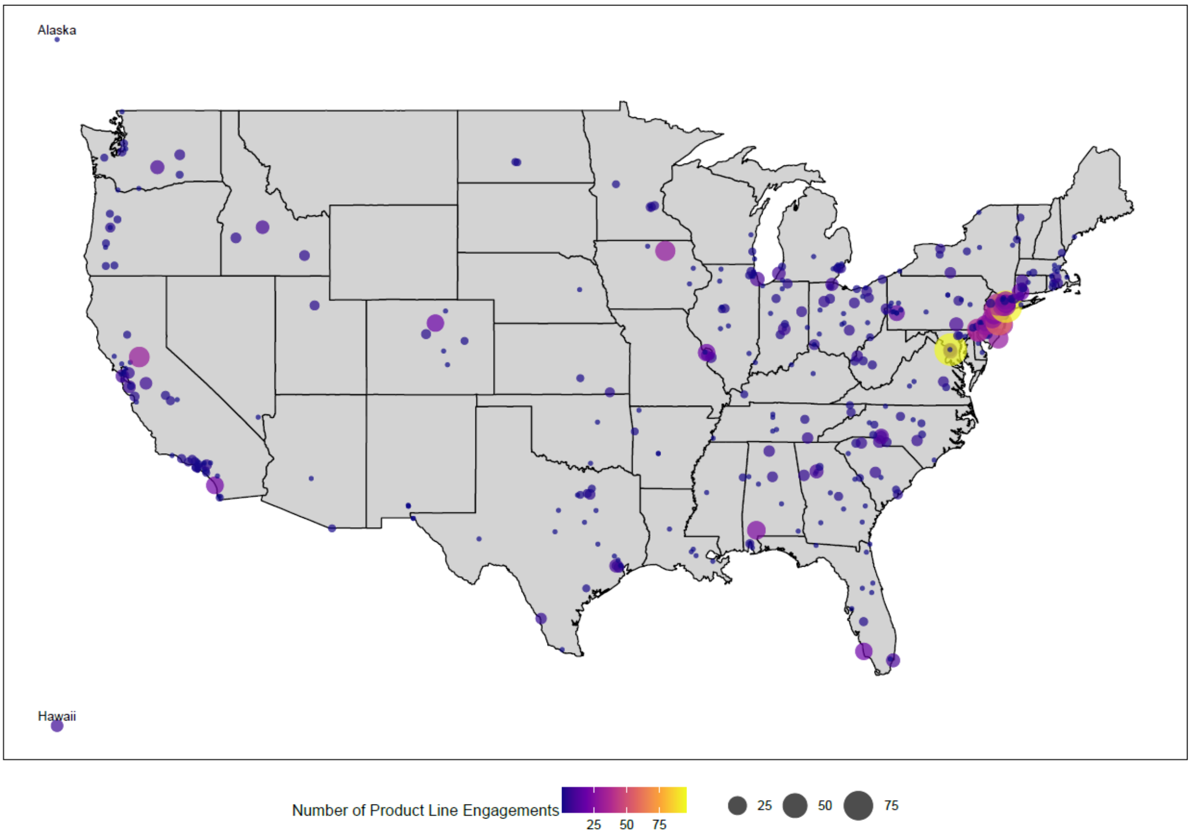
Map 1: Global Distribution of GSP Review Entities.



Our "second level" includes only the 704 product-line reviews that were sufficiently "important" to be sent to the USITC for analysis. In contrast to the cases not sent to the USITC, these cases have a significantly higher rate of success at nearly 58%. For these cases, the USITC prepares an annual report which we have collected. From these documents, we have extracted data on the names and locations of the entities involved in the reviews, which includes opposition and support parties in addition to, in some instances, additional petitioners. For foreign entities we have recorded the country location, while for domestic entities, we have recorded the city and state. In some instances, this information was available within the documents themselves, while in other instances we made external searches for the information. Unless otherwise indicated in the USITC reports, we selected the location of the US headquarters of the firm when the firm had operations at multiple locations.

We identify a total of 2,837 product line-entity-year observations. Of these, 1,336 are petitioners, 1,149 are opposition parties, and 352 are supporting entities. Distinguishing between public and private and foreign or domestic, 592 are foreign firms, 523 are foreign governments, 1,313 are US domestic firms, and 409 are US government entities (the USTR or US Congressional Representative). These entities are found in a total of 455 unique entity-locations, including 406 unique locations in the United States and 49 countries. We display these locations graphically in Maps 1 and 2, where the lighter shading and larger circles indicate a larger number of entities in the geographic region. As shown there, outside the United States, the vast bulk of review parties are clustered in large, middle-income countries. The single largest number of entity-product line-year observations come from Mexico, with 375 instances. Other major international players include Hungary, Argentina, Thailand, Czechosolvakia, Brazil, Poland and the Philippines. Domestically, the largest number of entities can be found on the mid-Atlantic seaboard, from Washington DC region, where most entities are industry associations, through to the greater New York City metropolitan area. However, entities are also found across the United States, with at least one entity in 45 of the 50 states.

Map 2: Distribution of USA GSP Review Entities.



Roughly half (351/704) of the USITC cases are opposed. While we empirically test the impact of a case being opposed in the subset of 704 USITC cases, we have a strong expectation that cases that are opposed will be less likely to be successful than those that are not. Indeed, the simple descriptive statistics suggest this as nearly 68% of the unopposed cases are successful, compared to just over 48% of the non-opposed cases. However, as our primary aim is to focus on the impact of *domestically opposed* cases, we restrict those analysis to the 611 USITC cases which had no foreign opposition party. This restriction ensures that the comparison in these models are between USITC cases opposed by *only* domestic interests and those which were unopposed. In these models, our primary explanatory variable of interest is a binary indicator which equals 1 if the review received *only* domestic opposition. This occurred in 254 (42%) of the 611 cases.

For all models, our outcome variable is a binary indicator equal to "1" if the petition was successful and "0" if the petition was denied. Our analysis is at the petition level, so "success" is a positive estimate for petitioner entities, and a negative estimate for opposition entities. We start with time (year) and petition-type fixed effects, before first adding product-level fixed effects (HTS4), and then dummy variables for cases that went to the USITC and were opposed at the USITC level. We then add a range of country characteristic controls to proxy for the political and economic importance of the petitioning country, On the political side, we assume that the strategic interest of the US in a country could influence the success of the petition. There are a variety of ways to measure this idea of strategic importance, and we focus on two distinct measures. Our first measure is a dummy variable equal to one in any year that a country-pair is involved in a defense pact (Alliance). The idea is that countries that hold strategic or geopolitical importance for each other often enter into alliances. Perhaps the deepest form of alliance is a defense compact that requires states to give military assistance to each other if attacked. Data are from the Correlates of War Alliances dataset. Second, the US may be more likely to approve a petition with a country that is of a similar regime type. We include a dummy variable equal to one if the petitioning country is also a democracy (Democracy). Data are from Boix, Miller, and Rosato (2013). As with all trade, geographic proximity between the petitioning country and the United States is likely to affect the probability of petition approval. We include a variable that measures the logged distance (in miles) between the US and the petitioning country (Distance). Data are from Gleditsch and Ward (2001).

If GSP truly is an aid program, then ceteris paribus, the economic status of the petitioning country should matter for whether or not a petition is approved. We control for the economic well-being and importance of a petitioning country with its per capita GDP of the petitioning country in thousands of constant US dollars (Per Capita GDP), as well as its overall economic size. Data are from the World Bank. Appendix X contains summary statistics of all of the variables in our analysis. Our primary specification approach is a linear probability model, however we also include models using logistic regression in the appendix.

Our reduced form is given by:

$$\Pr(\text{Success}_{it}) = \beta 1\text{Government Petitioner/Domestic Opposition} + \beta 2 \text{ Strategic Importance}_{it} + \beta 3\text{Economic Well-Being}_{it} + \tau + \varepsilon_{it}$$

Where Success_{it} indicates the approval of a GSP petition from country *i* in year *t*. Government/Firm Petitioner and Government Petitioner are our main independent variables of interest, whether a foreign government petitioned alone or in conjunction with a firm, as opposed to a firm petition. Strategic importance and Economic Well-Being represent the political and economic variables defined above that are expected to impact the probability of petition approval, τ represents year, petition-type and product fixed effects, and ε_{it} is the error term. In our main models we cluster standard errors at the HTS8 product level, but the results are robust in models where we progressively more aggregated product level clustered standard errors (HTS6, HTS4, and HTS2).

Results and extensions

As shown in table 1, foreign government involvement in GSP review appears to broadly increase the changes of review success. Regardless of the configuration of fixed effects and strategic and economic controls, the point estimates all fall between an increase of 5.8 to 7.8 probability points. The estimates are significant at the $p<0.01$ level across all models. As the mean probability of success in the full population is roughly 22%, this substantive shift equates to a roughly 25% to 35% increase in the probability of success. The results are robust to a range of fixed effects and inclusion of country-level controls.

Table 1: Effect of Government Petitioners on GSP Success

	(1)	(2)	(3)	(4)
Foreign Govt Petitioner	0.058***	0.076***	0.067***	0.078***
	(0.018)	(0.021)	(0.019)	(0.023)
Observations	2,580	2,419	2,419	1,911
Adjusted R^2	0.151	0.356	0.463	0.451
Year FE	YES	YES	YES	YES
Type FE	YES	YES	YES	YES

HTS4 FE	NO	YES	YES	YES
USITC Dummy	NO	NO	YES	YES
Opposition Dummy	NO	NO	YES	YES
Country Controls	NO	NO	NO	YES
Prob>F	0.001	0.000	0.000	0.000

HTS8 Clustered standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

In table 2, we turn our attention only to the 1,634 instances of petitions to “add” product lines to GSP. As seen there, the results are entirely consistent with the full population of petition types and again all significant at the $p<0.01$ level. The overall probability of success is again roughly 22%, so the substantive effects here are slightly larger than in table 1, ranging from roughly 34% to 43% of the sample mean.

Table 2: Effect of Government Petitioners on GSP Addition Success

	(1)	(2)	(3)	(4)
Foreign Govt Petitioner	0.073***	0.098***	0.077***	0.099***
	(0.022)	(0.027)	(0.024)	(0.029)
Observations	1,634	1,514	1,514	1,139
Adjusted R^2	0.164	0.431	0.510	0.490
Year FE	YES	YES	YES	YES
HTS4 FE	NO	YES	YES	YES
USITC Dummy	NO	NO	YES	YES
Opposition Dummy	NO	NO	YES	YES
Country Controls	NO	NO	NO	YES
Prob>F	0.001	0.000	0.000	0.000

HTS8 Clustered standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Turning to the impact of domestic opposition in table 3, we again see results that are large and consistent across all of our model specifications. In all instances, the coefficient on domestic opposition is negative and statistically significant at the $p<0.05$ level. Once again, these estimates are largest when including the strategic and economic significance control variables, but in all instances the estimates are highly significant. The estimates range from a change in probability of -0.18 to -0.26. As the mean probability of success in this subsample is 58.9%, this equates to a change of roughly 30% to 45% in that probability.

A GSP Vignette – You say potato

We now briefly examine a GSP case in more detail as a “plausibility probe” into the dynamics discussed above. In 1991, the Governments of Argentina and Mexico, along with an Argentinian trade association, “Federacion Argentina de Vegetables Industrialiazados” and a Mexican firm, “Deshidratadora GAB, S.A.” filed a petition to add “Certain Vegetable

Table 3: Effect of Domestic Opposition on GSP Success

	(1)	(2)	(3)	(4)
Domestic Opposition	-0.259***	-0.261***	-0.184**	-0.238***
	(0.046)	(0.076)	(0.076)	(0.085)
Observations	610	610	511	393
Adjusted R^2	0.196	0.196	0.358	0.354
Year FE	YES	YES	YES	YES
Type FE	YES	YES	YES	YES
Foreign Govt Dummy	NO	YES	YES	YES
HTS4 FE	NO	NO	YES	YES
Country Controls	NO	NO	NO	YES
Prob>F	0.000	0.000	0.000	0.000

HTS8 Clustered standard errors in parentheses
*** p<0.01, ** p<0.05, * p<0.1

Products” to the US GSP under HTS4 code 0712, including “Dried Potatoes” (0712.10.00), “Onion Powder or Flour” (0712.20.20), “Dried Onion, other than powder or flour” (0712.20.40), “Dried Garlic, expect powder or flour” (0712.90.40) and “Dried Tomatoes” (0712.90.75) with *ad valorem* tariffs ranging from 3% to 35%. These efforts were opposed by a coalition of US trade associations and firms, including the “National Association of Growers and Processors for Fair Trade” who opposed granting of dried tomatoes (0712.90.75), the “American Dehydrated Onion and Garlic Association” who opposed granting the dried garlic and onion products (0712.90.40) and (0712.90.75) and the US food producing firm, “Basic American, Inc.” with production facilities in Rexburg, Idaho (population 39,409) and Moses Lake, Washington (population 25,146) (See Picture 1) who opposed the granting of access for dried potatoes (0712.10.00). The private sector entities were joined in their opposition by both then-US Senators from Idaho, Steve Symms (R) and Larry Craig (R) and US Congressmen Richard Stallings (ID-2, D), Larry LaRocco (ID-1, D) and Sid Morrison (WA-4, R) who opposed granting access for all products.

Ultimately, the petition met with mixed success. Dried potatoes (0712.10.00) were added, but only for Argentina. All other products were denied. While the full transcript of the

USITC hearing is unavailable, excerpts reveal that the Mexican firm was seeking access for the onions and garlic, implying that the Argentinian trade association was seeking the potato access. Curiously, the potato access for Argentina came despite the congressional opposition making explicit arguments that "the petition for duty-free status for imported dehydrated potatoes could not come at a worse time. The 1991 potato crop has ushered in one of the greatest periods of surplus· in years. Efforts are underway to include U.S. potatoes in various subsidized export programs. If we, at the same time, open our borders to import it totally defeats the purpose."[8]

Picture 1: GSP Opponent Basic American Foods Moses Lake, Washington

While the collective objections were sufficient to deny access to the other products, these objections were not sufficient to deny Argentina access for dried potatoes. While not explicitly mentioned in the available USITC excerpts, in 1991 the US-Argentine relationship was undergoing a radical transformation. Under then-President Carlos Menem, Argentina was actively pursuing closer relations with the US, abandoning its long-held stance as a key non-alignment member in favor of supporting the US in the Gulf War and agreeing to curb its nuclear program (Arroyo-Rojas 2001; Norden and Russell 2013). Beyond this, and unlike Mexico, Argentinean exports of these products were negligible, whereas Mexican imports

[8] 1991 GSP Review Pg. 6.

made up 14% on these product lines. It seems entirely plausible that, to the US executive, granting Argentina market access on a product with an already low tariff (3% ad valorem) that it was not currently exporting, was the appropriate political calculus despite the objections of US business and members of Congress, including from the executives own party. Ultimately what this vignette illustrates is the complex and delicate nature of the balance of political interests that can reasonably enter GSP review decisions.

Conclusions

Using new data, this manuscript has investigated the politics of GSP review success. Rather than being a process that is strictly determined by the economic merit of the cases, GSP review success appears to be a deeply political process. GSP review is a particularly interesting international political economy case because the review can involve both public and private, and foreign and domestic actors. Our theory was largely driven by the fact that GSP review decision are ultimately made by the US executive via the USTR and, ultimately, the US President. Since GSP reviews involved both foreign and domestic actors, the President must entertain a political calculus that may involve offsetting foreign relationships (and foreign policy objectives) with domestic electoral considerations. It appears that the US executive pays deference to both foreign policy interests and domestic political considerations.

However, as discussed, many of the cases involve multiple (or all) party types in a given position. A given GSP review may have a foreign government, US private interest *and* a foreign private petitioner. And these petitioners may be arrayed against opposition of the same types. What the results may therefore conceal is that how *coalitions* of actors may be vital for success. Qualitative evidence suggests that these complex mechanisms are likely. Ultimately, this is a descriptive, first cut, at understanding GSP success. Causal inference is hindered by the fact that foreign government and domestic opposition participation is unlikely to be random. Governments may only pick to support the cases that have a high likelihood of success and firms may only oppose those they know they can deny.

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