Obama Suspends Trade Privileges for Bangladesh

In a letter to Congresss effective in 60 days, Obama announced an imposition of duties on products produced in Bangladesh. Concerns about safety problems and labor rights violations in the country's garment industry prompted this action.

The administration has come under intense pressure to suspend the privileges in recent months — first after a factory fire there killed 112 workers last November and then after an eight-story factory building collapsed in April, killing 1,129 workers.

Trade experts said the administration's decision would be a substantial blow to Bangladesh's reputation and was likely to ratchet up pressure on its government to move more quickly to improve factory safety and end what Washington sees as widespread violations of workers' rights. Administration officials said they have offered Bangladesh a road map for steps it needed to take to have trade privileges restored.

Labor unions and Democrats on Capitol Hill have been pressing the Obama administration to take the step, saying the United States needed to go beyond stern words and take strong action to convey to the Bangladeshi government that far more needed to be done to ensure factory safety.

"The U.S. decision sends a very strong signal to the government of Bangladesh that they have to do things differently, that there's a consequence to the way they've been operating," said Michael H. Posner, a former assistant secretary of state of human and labor rights in the Obama administration.

The suspension will revoke the breaks on tariffs that the United States gives Bangladesh under the Generalized System of Preferences, a World Trade Organization program that seeks to promote economic growth.

While Bangladesh fought vigorously to prevent the suspension, worried about the signal it sends to its citizens and to global investors, some trade experts said the suspension would be largely symbolic because it will affect less than 1 percent of America's $4.9 billion in annual imports from Bangladesh.

The tariff preferences being curtailed cover a variety of products, including tobacco and plastic bags, but do not apply to the country's garment industry, which does not have American duty-free status and represents the great bulk of that country's trade with the United States.

Bangladesh, one of 125 countries that receive American trade preferences, is allowed to export nearly 5,000 products duty-free to the United States, which buys about 25 percent of that country's $18 billion in annual apparel exports.

The Obama administration's move may have some influence on the European Union, which is also weighing whether to suspend Bangladesh's trade preferences. Action by the Europeans could have much greater impact because Europe's duty-free privileges include Bangladeshi apparel and Europe buys 60 percent of that country's garment exports.

The damage Bangladesh's other industries will face from the suspension is expected to pressure the country's garment industry to make many of the changes Washington wants. Last December, the United States sent Bangladesh a list of areas that needed improvement. The list included ending government harassment of union organizers and giving more rights to workers in the country's special export manufacturing zones.

The federal government has not been unified on the suspensions, however. The Labor Department has favored them, arguing that Bangladesh and its garment industry have been slow to improve factory safety and end violations of workers' rights to form labor unions. At the same time, some State Department officials opposed the move, saying it would damage diplomatic relations with a country that has faced Islamist threats and would undermine the economy of an already poor country.

The Bangladesh Foreign Ministry issued a statement criticizing Washington's move, saying that "this harsh measure may bring" new obstacles to "an otherwise flourishing bilateral" trade relationship. It said it hoped that the United States would soon restore the country's trade preferences and it urged Western buyers to "continue their business with their long trusted partners" in Bangladesh.

The administration's move on Thursday was in response to an official complaint filed by the A.F.L.-C.I.O. in 2007. The labor federation was upset about numerous deadly factory fires, a 2005 factory collapse that killed 64 workers as well as extensive efforts by Bangladeshi garment manufacturers to suppress labor unions.

The garment industry is a major driver of Bangladesh's economy, with more than 5,000 factories that employ four million workers. Bangladesh is the world's second-largest apparel exporter after China. Its minimum wage of $37 a month, the lowest in the world, has been a huge lure for manufacturers and helped the country's garment industry expand — with many hastily and shoddily built factories as a result.

The A.F.L.-C.I.O. and the Obama administration have expressed concern about the treatment of labor activists in Bangladesh. In April 2012, Aminul Islam, a prominent labor organizer, was found dead, his body showing signs of torture. Bangladeshi news media reported that government security forces might have had a hand in his death.

While Mr. Posner, the former State Department official, said the Bangladeshi government had not done enough to meet American demands for workplace safety, he added, "They probably don't have the financial resources alone to do everything that's needed."

Mr. Posner, now a professor at the Stern School of Business at New York University, said Washington's move added pressure on American and European retailers to further improve safety. “It increases public attention to this issue and makes clear that this is a crisis situation.”

Wal-Mart, Gap and other major American retailers are working with the Bipartisan Policy Center to develop a plan over the next few weeks to improve factory safety in the Bangladeshi garment industry. But industry and labor officials say the American retailers are unlikely to agree to a legally enforceable plan like the one that has been embraced by more than 40 European retailers.