

Technology Entrepreneurship: HDCS 4370
Quiz #4: The Introduction
Dr. Adomaitis

_____Danielle Daniel-Ramsey_____ (name)

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press.

Please answer to the best of your knowledge the following essay question. Use detail where appropriate. Remember grammar, punctuation & spelling count.

- a. What was GATT and how did it facilitate trade? How did it differ from the Marshall Plan? (2 pts)

The General Agreement on Tariffs and Trade demonstrated itself as an alliance between capitalist countries. It strived to aid the countries of the Atlantic Alliance in the postwar society. This was the United States first global urgency after the war. “The GATT provided the framework within which the United States opened its market to imported goods from Europe” (Rosen, 2002, pg. 56, par. 2). The GATT used its alliances with capitalist countries and facilitated demand to allow goods to be imported from Europe.

The Marshall Plan also known as the European Recovery program would take care of the financing for the reconstruction of Europe. “The new trade regime was designed to link nations in strategic alliances through reciprocally reduced tariffs” (Rosen, 2002, pg. 56, pg. 3). The GATT developed trade between the member’s nations of their organization; countries like Europe, the United States and East Asia. As newly industrial countries became competitive and connected with the GATT, tariffs were then lowered through negotiation under the control of the new and most favored nation reign among member states.

- b. On page 57, paragraph 2, Rosen states, “*Trade between countries at the same level of development typically involves a relatively equal exchange of labor. Trade between advanced industrial and underdeveloped poor countries, however, is likely to reproduced previous colonial economic relationships...*” What is meant by this statement? Where have you learned about colonial economic relationships in class, in the text, or otherwise? Defend your answer. (2pts)

This statement means if there is trade between two well developed countries, politically, socially and economically the exchange will be balanced and make for an overall increase when it comes to finances. Trade amongst evolved industrial and a non-progressive, poor countries is likely to bring back to mind past economic relationships. The statement to meant to acknowledge the status and level at which each country comes up to and ultimately suggest that countries should only mingle with like countries.

I’ve learned that every country has there strengthens and it’s important that each country be capitalized for their resources to support other countries internationally. “While Japan, Hong Kong and Taiwan were rebuilding their textile industries and looking for export markets, on the other side of the world U.S. textiles and apparel producers were gearing up for a political battle to protect their markets from East Asian imports” (Rosen, 2002, pg. 55, par. 1). The countries with the better-quality resources can exchange with who share similar social views.

- c. Who originally controlled tariffs? Who controlled tariffs in 1934? Why was there this shift in control? Defend your answer with support from the text. (2pts)

Before the post war transformation to the American trade policy there was a prewar trade authority and the Congress to ensure that competitors with lower wages couldn’t trade in the American market. Congress was initially grated the rate to set traffic during this time. “Before 1934, local businessman could appeal directly to their congressional representatives to support their trade interest” (Rosen, 2002, pg. 57, par. 2). Congressional representatives could mention bills to add tariffs that were as a completive threat though created domestically. These representatives could easily gather support for these bills when in competition from poorer countries.

In 1934 Congress authorized the Reciprocal Trade Agreements Act, allowing President Franklin Delano Roosevelt the right to bargain tariff reductions with trading partners. These tariffs reductions later stimulated international trade. “Congress gave up the control to set tariffs; this change revolutionized the structure of the American trade policy during the postwar era” (Rosen, 2002, pg. 58, par. 4). Trade settings were considered an act of foreign policy.

Soon after, Congress gave up all control of the tariffs. This change transformed the format of the U.S. trade policy during the postwar period. The tariff setting was controlled by the executive office and was an act of foreign policy. “As America began to play a new international role after the war, many congressional

representatives found they could no longer vote in the interest of their local constituents: the president would negotiate with other countries to set tariffs” (Rosen, 2002, pg. 58, par. 4). All U.S. presidents, after World War II, have supported trade liberalization while there was still concerns coming from Congress.

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry: Making Sweatshops. University of California Press. (cont.)

- d. Rosen, on several occasions throughout chapter 4, discusses the defeat of the French at Dien Bien Phu. Why? Why is the defeat of Dien Bien Phu significant in American history? Why is this important to Congressman who favored protectionism a trade policy? (2pts)

In 1954, the Trade Agreement Act was extended and the communist defeated the French at Dien Bein Phu. Due to another falling domino”, the powerful protectionist of the Means Committee was persuaded to by administration to back down. “Reed had opposed Eisenhower’s plans to negotiate further tariff concession for Japanese textiles and had led the opposition to the president’s Trade Agreement Act” (Rosen, 2002, pg.65, par. 1). After Reed opposed the bill, the fear of communism influenced him to come down from his position.

Free trade advocate and trade expert Destler argued that Congress was pleased to handover its power over trade policy to the president Kennedy. He claimed that the postwar period, viewed by congress was a fait accompli. “He argues that Congress’s unwillingness to pass legislation that would challenge American foreign economic policy demonstrates that congress was largely in favor of free trade and opposed to protection” (Rosen, 2002, pg. 65, par. 3). Just forty-eight hours after Dan Reed made his speech about the defeat of the French at Dien Bein Phu, the presidents bill was passed by Congress and so did the Senate.

- e. What was Kennedy’s Tripartite compromise? How did this benefit the textile and apparel industry in the US? (2 pts)

The first element of the Tripartite compromise was a legislation that created quotas for the East Asian imports. These quotas were negotiated with exporting textiles and apparel to America. “Kennedy negotiated the one year Short-Term Arrangement in 1961 and a year later, the Long-Term Arrangement (LTA)” (Rosen, 2002, pg. 73, par. 3). Created a special trade regime for textiles and apparel called LTA that lasted until 1971, negotiations then began for the Multifibre Arrangement. Though anxious, the textiles and apparel industry was treated like a special case under the GATT. Developing countries could then negotiate bilateral trade agreements with

low-wage countries who exported, with tariffs set on imported products made of cotton.

The Trade Expansion Act was the second element of the compromise by Kennedy in 1962. The TEA was a commitment was to balance the need for protection with the imperatives of free trade by the federal government. Tariffs were reduced by 50 percent under the authority of the executive branch. “Through these measures the federal government, would help the industry to restructure and workers to deal unemployment and job searches” (Rosen, 2002, pg. 74, par. 2). The growth of imported goods would be measured at a rate that could accommodate the needs of the textile and apparel industry to be more competitive with their low-wage competitors.