

Technology Entrepreneurship: HDCS 4370
Quiz #4: The Introduction
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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 (GATT) was an international agreement established by the U.S. in 1947 post-World War II. This treaty was established to promote the recovery of war-torn countries by enabling global trading by easing tariffs and removing barriers to trade that existed prior to the end of the war. The purpose of the GATT was to rebuild capitalist allied countries while also providing the framework with which the U.S. opened its markets to global imports through reciprocally reduced tariffs (Rosen, 2002, p. 56, par 2). This helped in establishing a new international trading economy, facilitating trades between nations that previously valued protectionism and isolationism. The GATT instituted trading policies and regulations with equal treatment for participating members, easing previous precarious relationships while fostering global trade.

The Marshall Plan also established post World War II by the U.S. was a plan established to assist in the recovery of European war-torn countries and their economies. The United States provided massive financial aid to the European nations, supporting in the recovery of their infrastructures, industries and trade capabilities to reestablish Europe. The main difference between the GATT and the Marshall Plan was that the Marshall Plan provided financial support from the U.S. in assisting in the recovery efforts, while the GATT focused on promoting global trade and expanding trading liberalization across the globe. While both planned to guide the U.S. in its leadership role post World War II, the Marshall Plan or European Recovery Program, provided the financing for the European reconstruction, while the GATT treaty helped ease world tensions post world war II through the promotion of trade liberalization (Rosen, 2002, p. 56, par 2). The GATT followed the trade not aid ideology of the U.S., not directly financing recoveries like the Marshall Plan that only helped Europe, but instead leading the creation of a new open world trading system that fostered the growth of many nations.

- 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 by Rosen above highlights the difference of trading between established, developed nations and the trade between advanced and undeveloped poor countries and how differently they advance. When the trade involves two countries at the same development level or economic status, the trade between the two parties usually balances with a fair trade of goods or resources being exchanged. Both developed nations are usually better off after a trade, gaining fairly while exchanging a relatively equal exchange of labor or productivity. However, when analyzing a trade between an advanced industrial country and an underdeveloped poor country, this exchange is no longer equal or mutually beneficial, usually leaving one party better off while at the expense of the other. As we learned in the last chapter, the Japanese empire ruled over other Southeast Asian nations before World War II, using their power and advancement to unfairly create trading relationships that exploited the smaller nations natural resources for the gain of Japan’s empire. The colonies suffered through uneven trading and economic relationships, becoming pawns and assets to further advance the developed nations or empire. As Rosen stated, promoting trade with underdeveloped, unindustrialized nations while importing low wage products represented a different type of economic relationship than did prior trading connections with established and developed nations like Europe for the U.S (Rosen, 2002, p. 57, par 3). The U.S. also had to manage economic relationships post World War II, in trying to expand its reach and influence across the globe while not becoming a colonial enforcing empire as well, using the GATT, nations were treated equally as to not establish unequal rights for all members.

- 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)**

In analyzing the trade policy changes and the impact tariffs had on global trade pre and post-World War II, the governing or controlling parties must be understood. Prior to the war, as Rosen states, the power of Congress was to ensure American workers and industries wellbeing and protection by fighting against low wage competition across the globe (Rosen, 2002, p. 57, par 4). The U.S. Constitution established that congress controlled the authority in setting tariffs and barriers to trade, focusing on protectionist views that protected Americans first. After the Hawley-Smoot Tariff act in 1930 was passed, Americans were further protected from foreign competition with high tariffs being imposed on imported goods to protect the American industry and factory workers against low wage competitor goods. While protecting American workers, this act passed by congress also had unintended consequences such as countries retaliating with a raise on tariffs for U.S exports that contributed to the economic isolationism that bred the Great Depression and World War II. (Rosen, 2002, p. 58, par 1). A new vision on global trading and tariffs would be needed to change the effects that prior legislation was causing and ultimately damaging America as a nation.

In 1934 as Rosen states, Congress passed the Reciprocal Trade Agreements Act (RTA), giving governing power to President Franklin D. Roosevelt to establish bilateral trade agreements and control tariffs for global trade. With a new focus on trade liberalization, tariffs reduction would encourage international trade, moving away from the isolationism and protectionist ideologies from the past that impeded the U.S. economic growth. This policy shift change was needed to create harmonious trade regimes amongst nations, making it possible to defuse future political conflicts, establishing a global trading system that would prevent another World War from transpiring (Rosen, 2002, p. 58, par 3). Post war, trade policy now focused on trade liberalization and fighting communism instead of primarily focusing on the protection of American workers and industries. “When Congress ceded the right to negotiation reciprocal tariffs to the administration in 1934, it gave up a major prerogative” (Rosen, 2002, p. 58, par 5). The Presidents that followed and the executive office administered the trade policy to expand the U.S. influence across the world, developing infantile nations through reciprocal trades while also fighting the spread of communism in the years that followed, while putting American workers and their hardships against competition in their backsight.

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)

Rosen though chapter 4 emphasizes the importance of the defeat of the French at Dien Bien Phu various times highlighting a significant battle had an impact across the world. The defeat of the French at Dien Bien Phu in 1954 is significant as it marked the end of French colonialism in Indochina (Norman, 2019). During the anticommunist movement of this time, this defeat of the French affected global relationships across the world especially post World War II when the U.S. was the leading power trying to expand its authority and influence. This defeat allowed for the United States to expand further into East Asia, enabling the U.S to step in and help another nation to rebuild democratically while fighting the communism threat.

As Rosen states, “The need to contain communism ultimately won the battle to extend the Reciprocal Trade Act (RTA) (Rosen, 2002, p. 64, par 4). The defeat of the French in Vietnam sparked the fear of the spread into the now unstable Vietnam nation, giving power to those who wanted to use foreign trade policy to fight this ultimate enemy. While the U.S. debated on extending the trade act, the defeat of the French impacted how this deliberation resolved. In the face of another falling domino as Rosen stated, the fear of the spread of communism won in the debate to extend the trade act, ultimately deciding to help Japan and East Asian economies, easing trading policies to help them rebuild and have them on our side against this threat (Rosen, 2002, p. 65, par 1,5). The defeat of the French created a now unstable Vietnam on which the U.S. being the world leader had to impose their influence and establish control to not allow it to fall to the communist regimes.

The defeat of the French however also gave a voice to Congressman who opposed the trade liberalization and favored protectionism in trade policies instead. It signaled to them the threat of overreaching and expanding colonial control into overseas nations, showcasing how the French empire suffered a defeat to a much smaller nation. Instead of focusing on spreading the American reach and influence, the trade policies such instead protect Americans at home and focus on fighting foreign competition instead of trying to promote their well-being at the Americans expense. In 1954, for the first time ever, trade protectionist in Congress failed to not only raise tariffs against low wage imports, but also on preventing further tariff reductions to help the American worker (Rosen, 2002, p. 66, par 1). The RTA further compromised on tariffs for Japanese textile imports, a markdown that impacted Americans ability to compete with the imports from low wage competitors.

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

President John F. Kennedy's Tripartite compromise had a crucial role in shaping the U.S. trade policy following his leadership. In trying to address the many different parties that have been affected by previous trade policies, Kennedy's Tripartite compromise was shaped into benefiting all participants while no longer disregarding American workers and the affects foreign trade has on them how past policies may have done. Inhering the "textile problem" from previous leaderships while managing the battle between trade liberalization and communist containment, Kennedy established a three-part program that addressed all three issues (Rosen, 2002, p. 72, par 1). While promoting trade liberalization and fighting the communist threat across the globe helped the nations participating to grow, it came at the expense of American textile workers and industries. Disregarding the other nations and imposing protectionism would also do harm the U.S. as the Soviet Union and Red China would easily spread communism through Europe and the world that would eventually defeat a lonely US democracy. To address these issues the compromise promoted import quotas at regulated growth rates, continued development of underdeveloped nations while also creating unemployment benefits and expanding American workers support for those affected by trade policies changes (Rosen, 2002, p. 74, par 1,2).

While unions fought for better wages and working conditions, it was almost impossible for Americans to compete with the low wage imports from foreign countries. The Trade Expansion Act (TEA) of 1962, signaled a change in trade policy, ensuring federal governments support for American workers while expanding on free trade (Rosen, 2002, p. 74, par 2). The compromise promised to provide income assistance, job training and relocation for those displaced workers that may have been impacted by the free trade agenda. Tax incentives and depreciation also allowed for textile and apparel industry producers to invest into new technology that would further along the industry and create better working conditions for its workers. As Rosen stated, through these measures, the federal government extended support for its workers while also allowing for the industry to continue to develop as well as continue the trade liberalization mission across the globe (Rosen, 2002, p. 74, par 3). The quotas and new restrictions allowed for American producers to once again compete with low wage competition, allowing for skills and resources to be learned into more advanced items and industries while still focusing on helping to develop unindustrialized nations to reciprocally trade with.

Work Cited

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