

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

Nano Jikhaia

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

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), a legal agreement, was arranged in 1947, soon after World War II. GATT diminished tariffs significantly among many different nations. It was something that the allies saw as crucial to maintaining peace and solid economic standing in the postwar world order. This agreement was based on reconstructing and rebuilding allied capitalist countries after the tyrannical war. GATT significantly contributed to opening new markets for fresh imports from Europe in the United States. The European Recovery Program, also known as the Marshall Plan signed by President Truman in 1948, was different from GATT because it was mainly based on financing and awakening for European reconstructing (Rosen, 2002, p.57, par.2). We can easily say that GATT brought success in free global trade and strong economic standing for many countries.

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 reproduce 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)

The main point behind the statement made by Ellen Rose is the significance of the exchange between the same and different levels of development of countries. When fair trade happens

between the countries of the same level of development, we get an equal exchange of labor. The worth of equal exchange is essential because its primary purpose is to be economically reasonable and environmentally beneficial (Rosen, 2002, p.57, par.2). But, on the other hand, trade between well-developed and less developed countries creates a danger to producing colonial economic connections, where exchange happens with products made with significantly low-wage labor and by people who work in unsafe and unfair working environments.

The topic of colonial economic relationships was discussed in the introduction of Ellen Rosen's book, where she mentioned Japanese colonies and GATT, whose primary purpose was to regulate trading between the same level of industrialized countries.

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)

During the prewar period, one of the leading dominance was in the hands of Congress, which controlled the United States market. According to the constitution, Congress had a supreme power to control and set tariffs. By the mid-1930s, the potential political corruption, "Smoot-Hawley," appeared in Congress, which raised doubts in opponents that this corruption would seriously harm America's well-being (Rosen, 2002, p.58, par.1). Some countries significantly increased their tariffs on United States exports and, at an economic scale, experienced dramatic damage, which even led the world to World War II. In 1934 most the thing changed. Congress gave up its right to control the tariffs, and as Ellen Rosen says, this was to revolutionize the rearranged America's trade policy (Rosen, 2002, p.58, par.4). The executive branch got the power of authority to control tariffs. One of the reasons for changing the authority of controlling tariffs was to grant more flexibility to the president to revive international trade amid the Great Depression and World War II.

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 Congressmen who favored protectionism as a trade policy? (2pts)

Based on the textbook, there have been a lot of characteristics defining the protectionist concerns, such as provincial, xenophobic, etc.; there was some validity behind these accusations, but there's an approach to why Congressmen favored protectionism as such a significant political matter (Rosen, 2002, p.55, par.3). It was not only the textile and apparel enterprises fighting alone, insisting on trade protection. Massive labor-intensive businesses also started to protest the revelation of new economic conditions that would eventually threaten their prosperity and survival. Congressional protectionism was a reaction to transitioning America's economic approach after World War II. The U.S policy intended to expand and develop financial and political welfares internationally. Therefore, trade was a significant component. By the 1950s, the U.S textile industry was the most critical industry endangered by the authority's capability to decrease prices, which caused them to face new trade issues (Rosen, 2002, p.64, par.2). The Korean War initiated the big wave in textile import; following this event, the rights to examine the price reductions were claimed. Since the tariffs were decreased, apparel and textile imports improved. The defeat of Dien Bien Phu is significant in American history because the parties involved needed to contain communism, which eventually led to communists defeating Dien Bien Phu (Rosen, 2002, p.65, par.3). It's an important fact to consider that the Congress members were convinced that it was necessary to subordinate trade protection to sustain the East Asian economic conditions.

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

One of the primary purposes of Kennedy's tripartite compromise was a restriction on the amount of merchandise for East Asian countries. These restrictions need to be negotiated with all the nations that were constantly exporting apparel and textiles to the United States. As Ellen Rosen states in her book, in 1971, Kennedy signed the Long Term Arrangement (LTA) negotiation, which changed the apparel industry's regime significantly. The countries that were much more developed made two-sided negotiations with low-waged countries and created restrictions on the amount of merchandise made out of cotton fabric. Active connections between developed and less prosperous countries caused import and export growth changes, especially for cotton textiles (Rosen, 2002, p.73, par.3). As mentioned in the book, it was one of the best ways in which the United States adjusted the low wage competition. Kennedy's compromise benefited the textile and apparel industry in the United States because it caused beneficial postwar policy formation in the textile trade.

References

Rosen, E. I. (2002). *Making sweatshops: The Globalization of the U.S. apparel industry*.

University of California Press.