

Technology Entrepreneurship: HDCS 4370
Quiz #4: The Introduction
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a. What was GATT and how did it facilitate trade? How did it differ from the Marshall Plan?(2 pts)

GATT, or the General Agreement on Tariffs and Trade was established for opening U.S markets to importing European goods (Rosen, 2002, p.56, par 1), while the Marshall Plan funded European reconstruction. The trade regime lowered tariffs with countries like Europe, America, and East Asia. As new countries industrialized, they were integrated into GATT, using tariff negotiations under the most-favored-nation principle. GATT formed an alliance with capitalist countries, aiming to rebuild the postwar Atlantic Alliance, the primary concern of the U.S after the war. GATT facilitated trade by establishing a platform for countries to engage in trade agreements, leading to reductions in tariffs on imported goods, and helped to lower the cost of imported goods.

The General Agreement on Tariffs and Trade (GATT) differs from the Marshall Plan, both policies aimed to rebuild post-war Europe. GATT's main focus was establishing a framework for reducing tariffs and opening the U.S market to import products from Europe only. The Marshall Plan policy provided financial aid for Europe reconstruction after the postwar (Rosen, 2002, p.56, par 2). This new trade system aimed at strategic alliances by lowering tariffs in countries such as Europe and America, but later expanded to include East Asia. With increasing industrial countries under GATT, the international trade agreement. This agreement employed the "most-favored-nation" policy, ensuring any negotiated tariff reductions applied equally to all 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 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)

Trade policies, specifically the reduction of tariffs on low-wage textiles and apparel imports, as a result changed how trading works in the United States. The shift from raw materials to low wage exports, to cheap manufactured goods produced with low-wage labor in underdeveloped countries raises concerns about power imbalances and unfair labor practices. Rosen argues, when countries with comparable levels of development engage in trade, there tends to be a more balanced exchange of labor and goods. However, trade between advanced nations and undeveloped countries can mirror historical colonial economic relationships (Rosen, 2002, p.57, par 2). As a result, advanced industrial nations often import manufactured goods from underdeveloped countries, which were produced using low-wage labor.

One can learn about colonial economic relationships. Rosen's "Making Sweatshops" discusses the production, consumption, exchange of goods, services, and resources between the United States and Japan in the textile industry. Japan became an exporter of cotton textiles, and experienced a significant increase. Both efforts from Congress, the cotton lobby and the Supreme Commander for the Allied Powers (SCAP), which oversaw reconstruction of Japan after the war and helped rebuild the textile industry (Rosen, 2002, p.35, par 2). Raw cotton produced in Japan provided a market for U.S. cotton producers, and played a significant factor in shaping the post war.

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)

Additionally, Congress had the authority to set tariffs, however changes were introduced during the post war period. Cordell Hull was significant in shaping U.S trade policy during the Secretary of State under FDR. Hull agreed to bilateral trade agreements over unilateral tariff-setting procedures. Congress handed over control to set tariffs, the executive branch, and the president (Rosen, 2002, p.58, par 5). As a result, gaining control and revolutionized U.S. trade policy during the postwar period. Rosen argues that Hull's strategy aimed to maintain international trade but to prevent conflict, rather focus on policy making with the U.S and control trade among all countries.

In 1934, Congress still controlled tariffs. Reciprocal Trade Agreements Act (RTA) is an act that President Franklin Delano Roosevelt gave the power to negotiate tariffs reduction. As it allowed the President to engage directly in trade negotiations and make adjustments to tariffs

without seeking approval from Congress for each agreement (Rosen, 2002, p.58, par 3). The purpose of these negotiations was to boost international trade by lowering tariffs. By 1945, the FDR had signed 32 trade agreements with 27 countries, reducing tariffs on 64% of imports by an average of 44%.

The shift in control over tariffs from Congress to the President was driven by several factors. When Congress gave control to negotiate tariffs to the executive branch in 1934 marked a shift in policy. This limited Congress's power, and made the decision to set a three year time frame for the Reciprocal Trade Agreements Act. In 1949, the (RTA)act faced criticism from Congress, leading to discussions on whether to keep this policy (Rosen, 2002, p.58, par 6). Eventually, Congress chose to make this act permanent and unchangeable, to control the President's role in trade negotiations. The shift demonstrates the role of the executive power in shaping U.S. trade and its impact on domestic and International trade.

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 argues that, (Rosen, 2002, p.55, par 1) Japan, Hong Kong, and Taiwan were in the process of rebuilding their textile industries after the devastation of World War II. As a result, textile and apparel production was concerned about competitors such as East Asian imports. The defeat of the French at Dien Bien Phu led to the movement in the United States that protected domestic markets from foreign competition. (Rosen, 2002, p.64, par 5) Threat of communism during the debate over trade policy focused on communism and the outcome of the Reciprocal Trade Act in 1954. Dien Bien Phu influenced lawmakers' decisions regarding the president's bill, highlighting the significance foreign policy. It was not our problem to begin with with the France.

The Dien Bien Phu defeat marked a significant victory for communist forces in Southeast Asia, leading to the partition of Vietnam and heightening Cold War tensions. The perceived threat of communism's spread in the region prompted the United States to adopt policies aimed at containing its influence, which included international trade among countries (Rosen, 2002, p.65, par 3). Rosen argue that Congress's decision to cede power over trade policy to the president policy, and Congress to support measures that control decision-making. The French defeat fueled the "domino theory," fearing communist victories in one place would trigger similar falls in neighboring countries. This domino effect (Rosen, 2002, p.65, par 1) fueled America during the Cold War, making Vietnam a crucial battleground against communist countries.

This important to Congressman who favored protectionism a trade policy, victory of Dien Bien Phu poses a threat to American industry. Concerned that increased trade with communist countries in Southeast Asia could lead to a flood of cheap imports, undercutting domestic industries (Rosen, 2002, p.57, par 4). They may have believed that restricting trade with communist countries was necessary to weaken their economies and contain the spread of communism from trade. This event marked a turning point in U.S. involvement in Vietnam and the escalation of Cold War issues in Southeast Asia. Dien Bien Phu did not direct the impacted trade policy, it played a significant role that shaped future trading.

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

The Tripartite Compromise, implemented in 1961 by President John F. Kennedy, aimed to address the issue of protectionism in the US textile and apparel industries. Domestic textile and apparel manufacturers: who demanded protection from low-wage competition, particularly from Asian countries. The US agreed to participate in the General Agreement on Tariffs and Trade (GATT) negotiations, leading to gradual reductions in textile tariffs (Rosen, 2002, p.76, par 2). The government created programs to assist displaced workers in the textile and apparel industries through retraining and financial aid. This addressed the concerns of workers who might lose their jobs due to increased competition. The US negotiated bilateral agreements with major textile exporters like Japan and Hong Kong, limiting the quantity of textiles they could export to the US. This provided some level of protection for domestic manufacturers, with quotas instead of direct tariff increases.

This benefitted the textile and apparel industry in the US, it offered a level of protection for domestic manufacturers by limiting the quantity of textiles imported from major competitors like Japan and Hong Kong. This helped stabilize the market and prevent domestic producers from being overwhelmed with a flood of cheaper imports (Rosen, 2002, p.76, par 3). GATT negotiations opened new markets for US textile exports, offering opportunities for growth within the domestic market. Kennedy's Tripartite compromise made it easy for trade policies between different countries, making it easier for U.S. companies to engage in global trade. As a result in agreements aimed at increasing market access for U.S. textile and apparel exports.

References:

Rosen, E. I. (2002). *The Globalization of the U. S. Apparel Industry: Making Sweatshops*. University of California Press; Los Angeles, CA. uiz #4