

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)

GATT, or the General Agreement on Tariffs and Trade, is a set of rules that countries agree to follow when they're trading with each other. "The new trade system was made to connect countries by lowering tariffs for each other. It boosted trade between countries in GATT, which included Europe, America, and East Asia. As more countries developed and got good at competing, they joined GATT. Then, they all agreed to cut tariffs for each other, following a rule where every member gets the same benefits (Rosen, 2002, p.56)". Without GATT, countries might try to protect their businesses by putting up barriers, including high taxes on imports. This can lead to trade wars, where countries keep raising taxes on each other's goods, making it harder and more expensive to trade. GATT helps prevent these trade wars by encouraging countries to lower their trade barriers.

GATT facilitated trade by reducing tariffs and other barriers to international commerce among its member nations. It aimed to promote economic cooperation and provide a forum for negotiating trade agreements. Rosen describes its significance, stating, " GATT significantly influenced international trade relations after World War II by acting as the main platform for negotiating lower tariffs and trade barriers (Rosen, 2002, p. 55). After World War II, many countries sought to rebuild their economies and foster international cooperation to prevent future conflicts. GATT provided a platform for these efforts by facilitating negotiations to lower tariffs and trade barriers, GATT helped to stimulate international trade and economic growth.

GATT and the Marshall Plan were both important initiatives after World War II, but they served different purposes. "The Marshall Plan, which a program initiated by the United States to provide economic aid to Western European countries devastated by World War II (United States Department of State, 2024) It primarily focused on

providing economic aid for the post-war reconstruction of Europe, GATT primarily aimed at liberalizing trade through multilateral negotiations. GATT focused on trade liberalization and reducing barriers to international commerce, while the Marshall Plan focused on providing economic assistance and rebuilding infrastructure in war-torn 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)

In the quoted statement, Rosen highlights the unequal nature of trade between advanced industrial nations and underdeveloped countries, suggesting that it often mirrors colonial economic relationships where the more developed country exploits the less developed one. “Encouraging the purchase of cheap goods from less developed countries with lower wages was a different way of doing business compared to trading with wealthy Europe (Rosen, 2002, p. 57).” This was different from trading with Europe, where countries had similar levels of development. When wealthier countries buy goods from poorer countries with lower wages, it can resemble the old colonial relationships, where the rich countries benefited more.

This concept of unequal exchange and exploitation repeats a pattern commonly discussed in studies of colonialism and economic imperialism. Today, the genocide in the Democratic Republic of Congo (DRC) is a fresh reminder that underdeveloped countries continue to be exploited by Western nations. “The exploitation of resources, such as rubber and ivory, was carried out through brutal methods, including forced labor and violence against the local population. This period is infamous for its extreme brutality and exploitation, with estimates suggesting millions of Congolese people died because of violence, disease, and harsh working conditions (Munyandamutsa, 2012).” It reflects a historical pattern where powerful nations extract resources and labor from less powerful ones for their benefit.

- 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)

Initially, tariffs were controlled by individual countries to protect their domestic industries. “It is important to start by looking at the changes in U.S. trade policy after World War II at how trade was managed before the war and how Congress had the authority to prevent low-wage competitors from accessing American markets (Rosen, 2002, p. 57).” Congress had the authority to set tariffs, or taxes on imports, and local

businesses could ask their representatives to increase tariffs on goods from other countries, especially those with lower wages that were seen as competition. After the Hawley-Smoot Tariff Act of 1930, which many saw as corrupt and harmful to America's interests. This act led to other countries raising tariffs on U.S. exports, causing a significant decline in global trade, which worsened the economic depression and contributed to the outbreak of World War II.

However, by 1934, the U.S. Congress gained control over tariffs through the passage of the Reciprocal Trade Agreements Act. "President Franklin Delano Roosevelt had the authority to negotiate tariff reductions directly with other countries. These reductions were aimed at boosting international trade. By 1945, the U.S. had negotiated agreements with many countries, reducing tariffs on most imports and lowering rates by an average of 44 percent (Rosen, 2002, p. 58)." This shift in trade policy was intended to stimulate trade and economic growth, paving the way for a new era of international cooperation and economic prosperity after the war.

This shift occurred due to the recognition of the need for a centralized authority to negotiate international trade agreements and respond to changing global economic conditions. Rosen explains, "Congress ultimately agreed to give the President the power to make decisions regarding tariffs (Rosen, 2002, p. 67)." This shift in trade policy was intended to stimulate trade and economic growth, paving the way for a new era of international cooperation and economic prosperity after the war.

- 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 discusses the defeat of the French at Dien Bien Phu because it marked a significant turning point in the Vietnam War and had broader implications for American foreign policy. "Faced with the threat of another potential domino effect, even Dan Reed, the influential chair of the House Ways and Means Committee known for his protectionist views was convinced by the administration to yield (Rosen, 2002, p. 65)." The fear of communism, particularly in the context of the Cold War and the spread of communism in Asia, influenced Reed to change his position. Recognizing the broader geopolitical implications and the need for strategic alliances, Reed reversed his stance and urged the House to support the extension of presidential negotiating authority for another year. The defeat of Dien Bien Phu resonated with American policymakers due to its implications for U.S. involvement in Vietnam. It served as a precursor to America's military intervention in the region, foreshadowing the complexities and difficulties encountered during the Vietnam War.

The defeat of Dien Bien Phu holds significance in American history as it contributed to shaping U.S. foreign policy and military strategies during the Cold War era. It underlined the growing concern over the spread of communism in Southeast Asia and influenced American decisions to increase military aid and involvement in the region. “Just two days following Dan Reed's speech on the French defeat at Dien Bien Phu, Congress approved the president's bill, followed by the Senate's endorsement shortly after (Rosen, 2002, p. 67).” Dan Reed's speech emphasized the influence on lawmakers and its implications for American foreign policy and military strategy, and on Congress to pass the president's bill after his speech.

For proponents of protectionist trade policies, such as certain congressmen, this event highlighted the geopolitical and economic stakes involved in international trade. “Reed had objected to Eisenhower's proposals for additional tariff concessions on Japanese textiles and had spearheaded the opposition against the president's Trade Agreements Act (Rosen, 2002, p. 65).” Reed's opposition suggests his commitment to protectionist policies aimed at protection measures, particularly in the face of perceived threats from foreign competition. The defeat accentuated the need to protect domestic industries, including textiles and apparel, to maintain economic strength and competitiveness amid global uncertainties.

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

Kennedy's Tripartite Compromise refers to a negotiated agreement between the United States, the European Economic Community (EEC), and textile-exporting countries. Kennedy's Tripartite Compromise was a three-part program in response to challenges faced by the textile and apparel industry in the United States. “Kennedy successfully solidified the administration's authority in shaping trade policy, enabling later administrations to advance the goals of trade liberalization (Rosen, 2002, p. 73).” Under this compromise, the U.S. agreed to reduce textile tariffs gradually while the EEC and textile-exporting countries agreed to limit their exports to the U.S. market. Kennedy successfully negotiated the Short-Term Arrangement in 1961 and the Long-Term Arrangement (LTA) a year later, which established a special trade regime for textiles and apparel until 1971.

This compromise benefited the textile and apparel industry in the U.S. by providing a framework to limit imports from low-wage East Asian countries, thereby protecting domestic producers from foreign competition. “A multinational system for overseeing textile and apparel imports would enhance the connection between U.S. cotton exports and Japan's textile exports, while also redirecting some East Asian textile and apparel exports to the European Economic Community (Rosen, 2002, p. 73).” This offered a gradual decrease in tariffs, allowing domestic producers to adapt to heightened competition over time. American manufacturers had the chance to

enhance their competitiveness and make necessary adjustments to their operations. The agreement also imposed limits on the quantity of foreign textiles entering the U.S. market, preventing an overwhelming influx of imports that could have posed a threat to American manufacturers. the agreement struck a balance between promoting trade liberalization and protecting the domestic textile and apparel industry, therefore benefiting American manufacturers while facilitating international commerce.

Reference

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