

## Empirical Project 2: Trade as Aid? The War on Terror

After the 9/11 terrorist event in the United States in 2001, our government courted Pakistan as a partner to help us root out the Al Qaeda group and Osama Bin Laden from neighboring Afghanistan. One of the ways in which we promised to compensate Pakistan was through trade. A 2002 New York Times article (June 23, 2002, section 1, column 1) documents how well we fulfilled that promise.

*"Pakistan's textile and apparel industries, which dominate the country's economy and account for 60 percent of its industrial employment, have been battered by a combination of restrictive American trade policies and repeated fears of war, first from the conflict in Afghanistan and more recently during Pakistan's confrontation with India. Several terrorist attacks against Westerners have made clothing buyers even more reluctant to come here. One result has been mass layoffs.*

*Setbacks for the textile industry, including the temporary laying off of tens of thousands of workers last winter, are contributing to resentment of the United States among many young Pakistanis, Lahore residents say, while mullahs at radical local mosques have been playing on anger over job losses in their sermons. Government officials and residents here agree that the American stance on textiles is increasing political pressure on the government of Pakistan's president, Gen. Pervez Musharraf, who has aligned himself with the United States in its campaign against terrorism.*

*"If the United States had been willing to help us, it would have given people like me the ability to talk, to say that the United States is creating jobs," said Razaq Dawood, Pakistan's minister of commerce, industries and production.*

*Last fall, Pakistan asked that the United States and European Union waive import duties on textiles and clothing and liberalize quotas on textile and apparel imports as a reward for its help against Al Qaeda and the Taliban.*

*Instead, the Bush administration opted in February for a small increase in quotas while backing legislation to lower import duties on just two categories, leather gloves and hand-knotted carpets.*

*There had been talk in Washington last autumn of a grand gesture toward Pakistan, similar to the 50 percent increase in textile quotas that the first Bush administration granted to Turkey as a reward for its help in the 1991 Persian Gulf war.*

*But that idea fizzled in December when the current Bush administration was faced with imminent defeat in the House of its broad package of trade legislation and decided to woo six lawmakers from textile states by promising them it would not do much for Pakistan's textile industry.*

*While Pakistan continues to export large quantities of linens to the United States, products for which there are few other suppliers, Pakistani exports of garments like cotton shirts have plunged as buyers have shifted orders elsewhere. Because cotton garments are labor intensive, the loss of sales has had a severe effect on employment.*

*American trade officials say a few steps have been taken to help Pakistan. The Bush administration raised quotas in February for a dozen categories of apparel, which potentially would allow an extra \$143 million worth of Pakistani goods into the United States each year, a 7 percent increase. However, some of these categories are for goods Pakistan hardly produces, like work gloves, making it unlikely that it would realize that gain in exports."*

**ASSIGNMENT: Address the following questions with data analysis, media quotes, and/or other evidence to back up your answers.**

**A)** What percent of U.S. imports in textiles and apparel come from Pakistan back in 2001 or 2002? What percent of total U.S. imports come from Pakistan? How do these figures compare to the GDP of the U.S.? How about compared to the GDP of Pakistan? What percent of the Pakistani industrial (manufacturing) workforce is in textiles and apparel (in the article)? What percent of U.S. manufacturing employment is in textiles and apparel? What percent of total U.S. employment is in textiles and apparel?

**B)** Given the answers in A), which country would likely be affected more by eliminating U.S. restrictions on Pakistani imports?

**C)** What have been the trends in Pakistani imports (textiles and apparel, and total) in the years since 2001? Have there been any other U.S. policy changes since then?

**D)** Why would other countries care whether we eliminate our import restrictions on Pakistan?

**E)** What would be your recommendations to the President on this issue?

**WEB RESOURCES FOR FINDING NECESSARY DATA:**

1) Office of Textiles and Apparel, U.S. Department of Commerce website:

<http://otexa.ita.doc.gov/msrpoint.htm>

2) Foreign Trade Statistics, U.S. Census Bureau (see “Historical Series”):

<http://www.census.gov/foreign-trade/statistics/index.html>

3) Economic Report of the President (for U.S. GDP) – statistical tables:

<http://www.gpoaccess.gov/eop/download.html>

4) GDP for most countries across many years can be obtained from the World Development Indicators site from the UO Library site under “W” of the “Articles, Databases and Indexes” link.

**RESTRICTIONS:** Can have a maximum of three students handing in a joint project. Report cannot be longer than 4 pages of text (double-spaced) with an extra page allowed for charts and graphs.