

BUF 4300: Global Sourcing & International Trade Policy
Final Essay Exam
Summer 2021
Dr. Adomaitis

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

Please answer the following essay questions to the best of your knowledge illustrating critical thinking skills. **Use detail where appropriate.** Be tight and concise in your essay answers. Organize your thoughts. **Remember grammar, punctuation & spelling count as 65% of your final examination grade. Use outside sources and cite APA appropriately and add references. Split paragraphs for each questions ask and write your own thoughts except when citing in quotations. Use Purdue Owl as a reference.**

1. Why has department store business declined in the US along with department store business in England, Germany, and Italy? Please cite an outside source for these country's retail decline. How has the *profitability paradox* affected this decline in profits? How has the *profitability paradox* changed the way retailers do business in the US? List and describe at least two ways the industry has prevailed during *this time* of retail flux (instability) in the text? Please cite Rosen and one outside source. (50pts). Please cite APA.

Since the late 1940s or early 1950's it has been many new major management techniques that were affected the downsizing of business stores in the United States, England, Germany, and Italy. Out-sourcing, quality management, benchmarking, economic value analysis, and new types of engineering contributed to this decline in retail. Each was a powerful tool. These new management techniques have increasingly become the central challenge facing management, especially those of big companies that have enjoyed long-term success. This story is a familiar one: a corporation that was an Upscale Company only yesterday finds itself stagnating and frustrated, in trouble also, often during a seemingly unmanageable crisis.

This marvel is in no way, shape, or form restricted to the U.S. It has become common in Japan and Germany, The Netherlands and France, Italy and Sweden. And it also occurs just as often with the outside business, in labor unions, government agencies, museums, hospitals, and churches. The fundamental reason for practically all of these emergencies isn't that things are being done inadequately. It is not even that the incorrect things are being done. Indeed, most of the time, the right things are being done but it's not profitable. What reasons for this apparent paradox? The assumptions on which the organization has been built and is being run now do not fit reality is that the paradox is

phenomenal. These are the suppositions that direct the association's conduct, and its choices about what to do for sure not to do.

These business sectors are tied in with recognizing clients and contenders, their qualities, and practices. They are about innovation and its elements, about an organization's qualities and shortcomings. All the assumptions are about what a company gets paid for (*The Theory of the Business*, 2016).

The consolidations and the purchase of a business that added to this expanded among American retailers. In 1996, with overall revenues falling, in everything except the biggest retail organizations and with the benefits bringing up in businesses like a drug, cutting edge, and aviation retailers discovered it was progressively hard to track down minimal expense capital for working costs or development. Given retailers proceeding with endeavors to lessen working costs, higher loan fees made it hard to acquire cash and would in general benefit. These issues made it more, hard to adapt to the benefits mystery. The arrangement was plainly a worldwide extension (Rosen,2002, p.195, par.1).

In the 1980's Americans were spending more on designer clothing than they do today. By the 1990s and the maturing population of buyers saved on nondurable including design attire and more on customer service (Rosen,2002, p.195, par.3). Ten years later after the recovery from the retail crisis, there was another cycle of growth, three months after the events of September 11, 2001. There were more bankruptcies and increasing retail concentration, resulting from mergers and new purchases of new businesses (Rosen,2002, p.196, par.2). At the base of the profitability, a paradox is the inability of a retailer to increase prices to the consumers. As a result, the wholesale prices of domestic appeal, and the product did decline (Rosen,2002 ,p.196, par.3). It was reported that retailers such as Eagle Outfitters, Tommy Hilfiger, Sara Lee, the Gap, and Eddi Bauer ended their contracts because of military action against Afghanistan (Rosen,2002, p.247 par.2).

2. Why was the Caribbean Basin Initiative crucial for Reaganomics? Explain the significance of (1) Manuel Noriega (2) the Contra Army (3) Sandinistas and (4) Fidel Castro? What was the significance of the Panama Canal? What is the significance of Noriega extradition to Paris, France? How does this relate back to the time when he was the dictator of Panama? How does this relate to the more recent political situation in Nepal and the Maoist revolutionaries? Please use Rosen and outside sources to defend your answer. (50)

In February 1982, President Ronald Reagan established a policy, which allowed the Caribbean and Central American countries to ship duty-free products into the United States. The CIB initiative also helps strengthen economic stability. Regan's original proposal included the appropriation of three hundred and fifty million textiles, apparel, and tax incentive for the United States firm that invested in manufacturing plants. The Caribbean Basin Initiative prevented the political left wings in these countries, from growing as they had in Central America. The types of duty-free items were later changed

to exclude handbags, luggage, footwear, cloth materials, gloves, leather clothing, canned tuna petroleum, and certain watches. Congress order to lighten the tax investment incentive but Communist-ruled countries, such as Cuba and Nicaragua were denied any benefits under this plan (*Caribbean Basin Initiative (CBI) / Encyclopedia.Com*, n.d.). Kennedy inherited the textile problems, which occurred under the previous presidents Truman and Eisenhower when he became president in 1960. Kennedy's concerns were the same trade liberalization and communist issues, that were motivated by the same foreign policies objectives (Rosen, 2002,p.72, par. 1).

Manuel Noriega was a former Panamanian dictator, was a vital tool to the United States, until President George Bush lost his patience with his brutal drug-running business. Present Bush sent twenty-eight thousand troops to invade the country to oust Noriega. After the capture, of Noriega, he said that he and the Republic of Panama had assisted with the United States. He manipulated American bosses and the Panamanian officials for his interest. In 2010 Noriega was extradited to France where he was convicted of money laundering (NEWS WIRES, 2011).

In 2015 he asked for the United States forgiveness and was put under house arrest. While in a wheelchair, Noriega spent three months in January preparing for his brain surgery, but died at the age of 83, as a result of complications from the removal of a tumor (Moreno, 2017). Although the United States had evidence against these drugs criminal actions began mounting, causing tensions in Central America, Present Regan administration promised to reestablish American power in the world. Regan was reluctant to take direct action against Cuba. In 1979, the Nicaraguan Somoza regime fell under the control of the right-wing Sandinistas. The Sandinistas were part of the Nicaraguan government reconstruction revolution. Sandinistas was instrumental in putting pressure on the United States who wanted to overthrow the Sandinistas. In the long run, they would stop exporting or reduce international support, which made them more vulnerable (*Understanding the Iran-Contra Affairs - The Iran-Contra Affairs*, n.d.).

Noriega's family friend helped raised Fidel Castro, who was born in Panama, less than a mile from the Canal. He helped the Colombian drug lords such as Pablo Escobar smuggle millions of dollars of cocaine, kickbacks into United States the Panama Canal (Moreno, 2017). As Noriega fiddled in geopolitical interest, return secret support to Cuban leader Fidel Castro and Libya's Muammar Gaddafi, so his criminal activities spread. During 1970 and 1987, Fidel Castro appeared in at least eighty different the United States, drug enforcement administration files (*Understanding the Iran-Contra Affairs - The Iran-Contra Affairs*, n.d.).

There were also some transnational threats such as illegal narcotics, immigration, and refugee problems, that the United States must focus on if it is to avoid issues with Haiti or Cuba. Central American states are the six traditional states of Costa Rica, El Salvador, Guatemala, Honduras, Panama, and Nicaragua. Cuba, Haiti, and the Dominican Republic make up the island states of the Caribbean Basin region. The regional planning and the United States policies resulted in Castro's aging revolutionary government impact and the Soviet Union's first high priority of Latin interest. Cuba's impact on the security of

the United States and its recent decades continues to trigger direct U.S. military responses in Grenada, Panama, and Haiti as recently as 1994 (*THE CARIBBEAN BASIN: U.S. STRATEGY AND SECURITY CHALLENGES IN THE 21ST CENTURY*).

After the Caribbean break down of Communication lines for trade to and from the United States, in addition to the power of projection in the Atlantic, Europe, Central, and South America new U.S. investments became available. The Caribbean is host to scratch Sea Lines of Communications (SLOCs) for exchange to and from the United States just as for power projection in the Atlantic and toward Europe and Central and South America. With the decrease in the Soviet danger, the Panama Canal was considered essential by increasing the size of military vessels. These 12,000 vessels were able to pass through the waterway, carrying more than 150 million tons of cargo throughout the world. After leaving the Panama Canal from the Pacific Ocean the vessels must use one or more of the Caribbean Sea passages end-route to destinations in the United States, Europe, Africa, and elsewhere (*THE CARIBBEAN BASIN: U.S. STRATEGY AND SECURITY CHALLENGES IN THE 21ST CENTURY*).

The Maoists had emerged as the largest force in post-revolution Nepal and tried to abolish the supreme power, in 2008. The removal of King Gyanendra created a rip in Nepali politics. The Maoists destroyed the basic framework of tourism for the country. The revolving door government became even worse in major political and economic issues. The political parties – the Unified Communist Party of Nepal (Maoist) had divided on almost all major issues (Khalid, 2012).

3. Why is China considered a major player in apparel production? How does artificially devaluing and inflating its currency (the Yuan) help China? Give two examples, one where devaluing the Yuan and one inflating the Yuan has created an advantage for China and has hurt the export/import country. Use a citation from Rosen along with an *outside source* to defend your answer. (50pts)

China is an especially significant contender who has fifteen million of its laborers utilized in the material and attire ventures (Rosen, 2002, p. 215, par.2). The devaluations of the Yuan and the phase out of MFA quotas led to an influx of textile production into the United States markets. United States largest textile companies such as Galey and Lord, Burlington Industries, Russel Corporation, all reported large losses (Rosen, 2002, p.248,par.2). The American Textile Manufactures states that in 1997 the fiscal crisis Asian currencies to decrease by forty percent. This resulted in the Asian Imports to increase by eighty percent (Rosen, 2002, p.248, par.3).

The Chinese economy has been growing over the last thirty years. The devaluing and the inflating of the Yuan could cause the Chinese interest to glide. Higher Production Costs for some United States nations and the causing and the costs to increases, which could be passed on to the purchaser. China has exported millions on a global scale to developed countries like the United States with low-skilled manufacturing jobs for many years. Over the long run, those export/import countries will probably

look for less expensive productions. If the Yuan is weak then China's exports will remain competitive on a global scale. China has provided an overall boost to the stock prices. When China manipulates its Yuan on the global level, to keep its goods cheaper, it creates a monopoly on the manufacturing industry. Thus resulting in a lot of people being out of work. If the Yuan is stronger then, a slowdown of apparel manufacturing takes place, which makes up for over twenty-five percent of its economy. If China weakens a great deal then, the world economy will be affected, and it would hurt the global growth and stock prices (What Would Happen If China Decided to Float Its Currency? 2015).

4. Discuss how (1) job loss, (2) lower wages, (3) pressure for retail profitability, and (4) trade liberalization affects an overall benefit to consumers who purchase apparel goods. Are consumers actually paying lower prices for apparel? If so, then why is *high fashion apparel so expensive*? Defend your answer with an outside citation and be sure to include the significance of tariffs. (50pts). Discuss each job loss, lower wages, etc....each in a separate paragraph to earn credit.

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5. Women have been part of the apparel work force throughout its development that has transitioned into a global entity. *Give two (2) examples in history when women's wages were not of equal value to those work wages of another industry or her male counterpart.*

Please cite *each outside* reference. Describe how the *Lowell Model* has shed light on the difficulties of being a woman in a low-wage industry. Please be specific and cite Rosen (2002) (50pts).

Lowell Model had shed light on the work experiences of women apparel exports today and textile women workers. The American-born farm girls were forced to work in new Textile mills in Lawrence Massachusetts and Lowell under unacceptable conditions. Those women who were employed in industrial production, in the export processing zones, may start to obtain freedom from traditional forms of authority. However, the new international division of labor also made women increasingly vulnerable in family structure and new lower wages (Rosen,2002, p. 240, par.2). By the 1850s these farm girls were replaced by immigrants who had to work at lower wages and subhuman conditions (Rosen,2002 p.241, par.1). On the other hand, China paid two and a half times more than those outside of the zones. In addition, their country offered its workers in modern export factories, shorter hours, better wages, and work home-based work with unpaid family labor (Rosen, 2002 p. 241, ,par.3). Within the last two decades, the growth and competition in the industry seem to have dramatically decreased wages and living conditions (Rosen,2002, p.241, par.5). According to the American Textile Manufacture's Institute, in 1977 the financial crisis caused a downfall of the Asian currencies by forty percent and the layoff of workers (Rosen,2002, p.248, par.3). It was accepted that the men or the husbands in the family were considered as the breadwinners, so they contributed to the economy (Rosen,2002 p. 248 4 par.4).

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