

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.

With the number of department stores and shopping centers increasing, many department stores were not profiting from the total of new stores that increased by 70 percent after the war between 1974 and 1984. The profitability paradox of increased department stores throughout the United States to acquire more sales by forming the obtainable vast quantities of stores and apparel did not succeed since it did not meet the profit margin of the new expansion they established. Since there was not much consumer demand in department stores, many department stores declined. While the increasing amount of discount stores made it difficult to compete with. Furthermore, as Rosen mentioned, the increasing cost in expenses to operate had drastically decreased the number of profits. Due to the revenue that had to be used on providing for employees and operating massive amounts of department stores. (Rosen, 2002, p.188, par.1-2).

The profitability paradox imposed retailers to inquire about different strategies that would enhance the reduction of cost operation. While still being able to compete with discount

stores. As Rosen mentioned, retailers tried to lessen the cost of labor and invest in modern technologies to reduce the number of employees and techniques to redeem from expenses. (Rosen, 2002, p.188, par.2). As a result, retailers found contemporary ways to stay in business while reducing costs of operating expenses. However, they realized that it would not be practicable in the long run. Therefore it would affect the profitability of return on investment in the future. Although retailers had a difficult time staying in business, it was only large department stores that we're able to stay competitive. The large department stores took initiatives in reducing operating expenses and investing in newer technology. Therefore for retailers to remain competitive, they had to advance their productivity and cost functional choices. Although retail stores suffered substantial losses because of discount stores and operating costs, they eventually had become more profitable and effective to stabilize the profit margins. As Rosen mentioned, during the detrimental time's retailers were seeking different markets from other retailers to essentially keep their business. (Rosen, 2002, p.189, par.1).

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).

The Caribbean Basin Initiative is also known as the Caribbean Basin Economic Recovery Act was vital to Reaganomics development due to the proximity each country was to the United States. In fact, according to Rosen, President Ronald Reagan had formed a new trade policy for the Caribbean countries to aid their political security and economic growth. (Rosen, 2002, p.129, par.2). Although tensions escalated because of the Cold War, the United States utilized trade programs to assist underdeveloped countries to enhance their economy while maintaining a dependency on the United States. They did this to reject any aid from the Soviet Union. In addition, CBI was designed for the United States to gain control over the Caribbean countries to maintain a “dependent integration” which would make the Caribbean countries dependent on support from the United States. (Rosen, 2002, p.133, par.2).

Throughout Reagan's presidency, Regan was always an anti-communist who feared that the outspread of communism would play out as a “domino effect” in other countries. Manuel Noriega was a vital key to history because he utilized tactics that assisted the United States during the 1980s as he became the dictator of Panama. Throughout Noriega’s dictatorship, he had assisted the United States CIA in gaining information about communist movements in Panama and even drug cartel dilemmas. Although Noriega did assist the United States, he also had involvement in the cartels since he allowed them to traffic drugs and weapons

throughout Panama in exchange for money. He also helped them launder money in the Panama Canal while exchanging information to the United States for his political motives. Over time Noriega had obtained so much control and became a remorseless dictator in Panama. While tensions increased, the United States had dreaded the conflict it would cause in the United States future. Which later led them to invade Panama in 1989, bringing down Noriega control of Panama. (Anderson & Lemann 2017).

In the history of the United States, the United States had a reputation for assisting corrupt superiors to obtain the expansion of communism. The United States had supported a Nicaraguan family named the Somoza during the 20th century. The Somoza family was affiliated with corruption in Nicaragua that later caused an alliance in a group labeled as "Sandinistas". The Sandinistas were also known as Sandinistas National Liberation, fueled resentment towards the corrupt government. (Bodenheimer, 2019). The government had embezzled their relief money that was obtained for the usage of the Managua earthquake in 1972. With the assistance of Fidel Castro, Daniel Ortega, the leader of the Sandinistas, conquered the Nicaraguan government in 1979. (Bodenheimer, 2019). As the Sandinistas assisted the people of Nicaragua by providing them resources and money that were taken away from them, President Reagan did not approve of this. As a result, the United States infiltrated freedom fighters known as the Contra army to overthrow the Sandinistas government. The Contra army, which had primarily contained Somoza loyalists, were training in Costa Rica and Honduras discreetly while receiving full support from the CIA. Although Reagan favored the Contra army, congress had declined any financial support to assist the army. This later transcended to the Iran-Contra scandal, when Reagan had authorized the approval of weapons being sold to Iran to aid the Contra army. (Gentile, 2019).

With a fear of communism spreading into the neighboring countries of the United States, the United States had finally faced the actuality of Fidel Castro overthrowing Fulgencio Batista in the Cuban Revolution during 1959. Fidel Alejandro Castro Ruz was born on August 13, 1926, in Cuba and later became revolutionary in the civil rights partaking in rebellious revolutions in Colombia and the Dominican Republic. Throughout the 1950's Castro primary focus was to overthrow Fulgencio Batista, who was the Cuban dictator at the time. Eventually, after various ineffective solutions of overthrowing the government, Castro had finally accomplished overthrowing Batista with the assistance of Che Guevara in 1959. He was looked upon as a hero to Cuba, but to the United States, he was a threat since had exercised the idea of communism. In addition, he also had been receiving aid from the Soviet Union which the United States had feared. As tension rose, the United States had to implement the CIA to utilize insufficient advertising to manipulate the people from Cuba to overthrow Fidel Castro. In all, during John F. Kennedy's presidency, the CIA concluded an invasion of Cuba identified as the "Bay of Pigs" (Tisdall, 2016).

During the period that global trade commenced, it had become one of the most important business factors amongst countries to find safe ways to trade in the trading industry. By forming these shortcuts, would increase more money and advance trading at a more efficient rate. Although trading agreements had expanded in other countries, trade routes had become a crucial key in the trading system. One example of a shortcut or trade route is the structure of the Panama Canal. The Panama Canal had formerly been organized by France to advance the trade routes by developing a Canal in the smallest region of America. The significance of the Panama Canal is its connection between the east and west trade routes. (Wagtendonk, 2014). Which was the smallest region that would be able to pass through Panama. In 1881 as France was building the canal, they turned out to be unsuccessful due to the death of various people who were working there. Over time the United States had acquired full control in the rebuilding of the canal during Roosevelt's presidency in 1904. The United States had gained full control of the Panama Canal, assembling global power in the trading industry until 1970.

When Noriega had surrendered to the United States, he had no choice but to since the United States demanded to overthrow him for various reasons. Throughout the history of Manuel Noriega's dictatorship in Panama, he had allowed drug cartels to relocate their weapons and drugs from Colombia into the United States. By utilizing the Panama Canal, as a way to launder their money while he notified them to the CIA. When Noriega became too greedy and powerful, the United States decided to intervene and overthrow Noriega from his power. Furthermore, after the invasion, he was indicted for drug trafficking, money laundering, and other charges that would place him in jail for 17 years. Although he was only placed in jail for 17 years in the United States, he also had to serve time after his sentence was over in France for his deportation of money laundering. In France, he only faced a 7-year sentence, for his money laundering charges. (Keaten & Souchard, 2011).

The charges against Manuel Noriega are associated with the duration of his dictatorship in Panama since he favored both the United States and the Colombian drug cartels to gain benefits of wealth. Corrupt dictatorship became immensely powerful due to the laundering of money and drug trafficking. Which the United States deemed as a threat, with confidential information being leaked from the time he had ties with the CIA. The similarities in the conflict between Nepal and Maoist revolutionaries are due to how China is infiltrating Nepal's political system crisis. The political crisis in Nepal intel of two leaders in Nepal's Communist party back in 2018, agreeing on a contract of affiliation for a five-year term. Although the two leaders of disparate communist parties agreed on focusing their division to serve a dominant leader, KP Sharma Oli had refused after serving his time as leader of the NCP Party after serving two and half years. However, Pushpa Kamal Dahal, leader of the "Dahal-led Communist Party of Nepal, had confronted Sharma Oli to resign so that Dahal could dictate for the carrying years. (Ramachandran, 2020).

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)

When the United States unrestricted its policies to Chinese exports, China had primarily focused on advancing its apparel distribution. Furthermore, while other countries decided to essentially focus on lowering labor to aid in exporting business, China had invested heavily in developing new technologies to reduce cost. They also did this to diminish the number of employees while manufacturing vast quantities of products. As a result, focusing on innovating the apparel industry has assisted China to become a vital contributor to the apparel industry. By prioritizing its focus towards becoming a vertically integrated industry and controlling all the procedures involved in creating the apparel to reduce operating costs and obtain more profit. (Rosen, 2002, p.207, par.4).

While China has become a vital player in the trading industry, China has also focused on better ways to benefit from keeping its expenses low while exporting to more countries. Although China is a communist country, the government took initiative in controlling the value of the currency and devaluing the Yuan, to attract more consumers to Chinese products. Since their prices were lower than other countries that they were competing against. Furthermore, the Chinese government devalued their currency to purchase more products and assets with the United States currency. While reducing the amount of Yuan used, and keeping it in the Chinese banking system. According to Rosen, this had assisted China to gain more profitability in keeping prices low with the worth of Yuan being so low. (Rosen, 2002, p.211, par.1). An example of this is when China had exported vast quantities of cheap products to the United States and imported the bare minimum to China because of their currency value. As China devalued the Yuan, they now could increase their profitability by purchasing more products from the United States. They discovered that by avoiding spending their monetary resources from money that they earned in trading. (McDowell, 2010). Furthermore, to devalue their currency, Yuan inflation would also form opportunities for China to become a key player in attracting more international investors. The inflation of the Yuan would allow Chinese currency to become key currencies used globally aside from the United States and Euro money. Overall by acquiring more assets Yuan would supply the Chinese currencies to be utilized globally. (Cheng, 2020).

4. Discuss how (1) job loss, (2) lower wages, (3) pressure for retail profitability, and (4) trade liberalization affect 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.

With competition increasing in the apparel industry, many retailers strive to find new and better ways to reduce costs from manufacturing and distributing apparel. Nevertheless, the apparel industry has progressed to the South due to underpaid workers that reduce costs but gain more profit from the apparel industry. As a result, numerous workers from the north were unemployed since industries relocated their plants to the South. (Rosen, 2002, p.78, par.2). In addition, because of job loss and the utilization of undervalued regions, the apparel industry had encountered a new threat in the retail probability that would affect their expansion in the South. These were discount stores and the apparel industry could not compete with them. However, only major retailers were able to stay in business due to vast quantities of productions being produced. With the assistance of trade liberalization, apparel industries had the advantage of reducing wage imports from underdeveloped countries to gain more profitability. Overall with competition increasing in the retail industry, there have been vast quantities of industries seeking new opportunities to endure cheaper labor and wages to reduce the cost of production. (Rosen, 2002, p.177, par.3).

Though retail industries had the advantage of manufacturing items at relatively low cost, the fashion apparels were still very costly. The purpose as to why retailer industries sell at higher prices is due to several factors. These factors include importing from undeveloped countries, paying high tariffs, several taxes from the United States, employees, and promoting and advertising their products. As a result of them producing their products for lower rates, they also had dealt with other expenses that they had to acquire. As Rosen mentioned, consumers paid for the value of the product itself. (Rosen, 2002, p.187, par.2).

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).

Throughout women's history, women have always been victims of being undervalued and viewed as incapable of doing the things that men do based on their gender. Women were paid unequally and were treated unfairly. When trade liberalization grew exposure globally, it created many job opportunities for women. However, there was a huge wage gap based on their gender. According to Rosen, there was a massive difference between the women who worked in Japan's apparel industry that only made 20 percent of what men would typically

make. (Rosen, 2002, p.52, par.2). Moreover, in the apparel industry, women received less than men as well as in industries such as entertainment business, government jobs, corporate jobs, and many more. Throughout the years there have been numerous occasions where women had realized their employers were paying them less than their counterparts. For instance, one example of the gender pay gap occurring is when Lilly Ledbetter worked for 19 years at a company called Goodyear and was receiving less than what her male co-workers make for so many years. Once Lilly had realized the gap in her wage, she then filed a lawsuit that was ineffective at first since the contract she signed stated she must confront her employer within 180 days after receiving her first paycheck. However, with the assistance of Barack Obama, he created a bill in 2009 called the Lilly Ledbetter Fair Pay Act, which resolved Ledbetter's case and made her company pay her back for all 19 years she worked there. (Salem, 2019). Another example of the gender pay gap occurring is when actress Jennifer Lawrence had leaked information about the actress and actors salaries for a film they were working on. In fact, in the film industry, Jennifer Lawrence is one of the top paid actresses in the world. The leaked email had indicated that Jennifer Lawrence was a victim of the gender pay gap and was only going to receive two percent less than Christian Bale and Bradley Cooper. (Robehmed, 2015).

The Lowell Model has shed light on struggles that women endure in the workplace as well as in the Triangle Shirtwaist Factory. The young women who worked in Lowell, Massachusetts appear to be getting compensated more than other young girls in the apparel industry and other countries. Since they were the top-paid workers amongst others in the country they received more responsibilities and worked longer hours since they received higher wages. As a result of the amount they were being compensated, these young women had to work at least 73 hours, six days a week with barely any breaks. Although it seemed as if they were receiving more money, they had to work in detrimental conditions for a dreadful amount of hours. (Rosen, 2002, p.240, p.2).

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