

BUF 4300: Global Sourcing & International Trade Policy
Final Essay Exam
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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. Answer each question in a separate paragraph. Be sure to cite correctly in APA within the sentence (look at Purdue Owl/ APA). Organize your thoughts.

Remember grammar, punctuation & spelling count as 65% of your final examination grade. Application to current events are graded higher than answers straight from Rosen. Each essay is worth 100 points. Add all references in APA and in-text citations. Matching must be less than 20%. Use Purdue Owl Online Writing Lab. Good Luck!

1. Why has department store business declined in the US along with department store business in *England, Germany, and Italy*? (b) How has the *profitability paradox* affected this decline in profits? (c) How has the *profitability paradox* changed the way retailers do business? (d) List and describe at least two ways the industry has prevailed during this time of retail flux (instability) Please use one outside source and add the link at the end of the essay? (e) *What is causing retail flux currently (2021-2023), name two major issues and cite two outside sources. How can they be resolved? (Think Critically).*

Department stores in the US declined because of the rise of highly concentrated and vertically integrated retail transnationals such as Wal-Mart, Federated Department retailers, and the Gap has driven out smaller retailers and even some bigger department stores. These multinational retailers offer massive amounts of clothing and other items, increasing competition and reducing market share for traditional department shops. These multinational retailers offer massive amounts of clothing and other items, increasing competition and reducing market share for traditional department shops. Second, trade liberalization and globalization have both played important roles. The abolition of quotas, tariff reductions, and the opening of new markets has hastened the globalization of clothes production and provided retailers with more access to low-wage imports. This has increased rivalry in the textile, clothing, and retailing industries, which has contributed to the downfall of department stores. Furthermore, changing consumer tastes, greater rivalry, and a trend toward alternative retail formats, such as discount chains and internet

retailers, have harmed the department store sector in the United States. (Rosen,2002,CH10,P178)

The department store industry in the United Kingdom has deteriorated because of a number of issues. As the economy reopened, consumers moved their spending toward eating out. Retail sales declined by 0.3%, compared to a 0.6% increase predicted. Online retail sales fell 4.8%, reaching their lowest level since March 2020. The increased cost of living also had an impact on consumer behavior, with customers spending more but purchasing fewer things. Clothing sales, on the other hand, surged by 13%, while department store sales increased by 1.3% as customers upgraded their outfits. Overall, a combination of shifting consumer purchasing patterns, caution due to growing expenses, and external factors contributed to the recession in department store operations in the United Kingdom. (Sweney,2022)

The department store industry in Germany has declined significantly during the last two decades. Department shops previously held 7.2% percent of the retail sector in the 1980s, but by 1994, that proportion had decreased to 4%. The growth of large-scale, self-service specialized stores, as well as changing consumer tastes, can be contributed to this reduction. Consumers in Germany now prioritize getting the best deal on everyday items, encouraging them to buy at a variety of retail shops rather than department stores. Furthermore, when it comes to prominent or brand-name products, customers choose specialty stores where they perceive a difference in quality or desire a more personalized shopping experience. As a result, department shops in Germany have struggled to compete and maintain their market share. (Sternquist,2018)

The Italian department store industry has declined, leaving just two significant competitors, notably La Rinascente with 13 outlets. La Rinascente has established itself as one of the country's largest and most diverse retail firms. It has managed to keep its profit margins high by delivering a carefully chosen range of high-quality items and designing visually appealing retail spaces to improve the shopping experience. Despite the overall collapse in the Italian department store business, La Rinascente has adapted and prospered. Its strategic focus on offering value and a distinct shopping experience has helped the firm to maintain its market position. . (Sternquist,2018)

The profitability paradox has played a significant role in the decline of department store profits. The overexpansion of retail space and the increase in competition led to a saturation of the market and a slowdown in consumer demand. This made it challenging for department stores to maintain high and stable profitability levels. While sales increased, gross margins decreased, creating a problem for retailers. They faced the dilemma of reducing operating expenses to improve profitability while needing to increase sales to compensate for reduced margins. This led to a struggle to find the right balance and resulted in difficulties in achieving profitability. (Rosen,2002,CH10,P188)

The profitability paradox has forced retailers to change their business strategies. In order to deal with the challenges posed by intense competition and reduced margins, retailers have adopted various approaches. They have sought to reduce operating costs through measures like labor cost reduction and the implementing of new technologies. Additionally, retailers have explored strategic partnerships, introduced private-label merchandise, and employed niche-marketing techniques to differentiate themselves in the market. However, these strategies have not always been effective in dealing with the impact of the profitability paradox. "They used a variety of new strategies to do this: for

example, reduced labor costs, new technologies, strategic partnerships, private-label merchandise, and new niche-marketing techniques “(Rosen,2002,CH10,P188)

During this period of retail flux, the industry has prevailed through a focus on differentiation and value. Retailers have identified their unique selling points and invested in initiatives that enhance customer lifetime value and loyalty. They have simplified assortments, emphasized value-for-money pricing tiers, and expanded private brands. One example would be Tesco, they prioritized value by launching campaigns like Aldi Price Match and locking the price of everyday products. Additionally, retailers have embraced data-driven decision-making by leveraging real-time data analysis to assess the impact of pricing investments, personalize promotions, and optimize strategies. They have also adopted a proactive approach to supplier negotiations, using data to ease cost increases and secure supplier funding, resulting in cost savings on the cost of goods sold. These strategies enable retailers to adapt to the current environment and remain competitive by meeting customer needs, optimizing pricing strategies, and streamlining operations. (Bain,2023) <https://www.bain.com/insights/six-ways-retail-can-soar-through-the-macroeconomic-clouds/>

Two primary challenges are driving the present retail flux (2021-2023): economic conditions influencing consumer spending and supply chain restrictions. These issues may be overcome by using excellent inventory management, operational efficiency, and customer-centric methods. To combat constrained budgets and rising inflation rates, merchants should focus on intelligent and targeted promotions that provide customers with unique value. Using advanced forecasting data technology powered by machine learning and artificial intelligence, you can ensure that the correct goods are accessible at the right time, lowering the need for costly markdowns and clearance sales. “Real-time data analysis will be crucial to assessing the impact of pricing investments in known value items and other traffic drivers, while personalized promotions can ease the pain of unavoidable price increases for customers” (Bain,2023) Inventory planning and operational efficiency strategies can be used to improve inventory selection and prioritize fast-moving, high-demand items. To address supply chain restrictions, merchants must rethink their inventory requirements, supplier network, and distribution strategy. Retailers may streamline the supply chain, reduce manual involvement, and enable direct delivery from manufacturers to stores or customers by improving visibility and employing data analytics. Using shops as distribution hubs and leveraging technology can help to shorten the product path, decreasing reliance on costly last-mile deliveries and enhancing overall supply chain efficiency. “Supply chains will need to be reconfigured through enhanced visibility and comprehensive assessment.” (Spicer,2023)

2. Why was the Caribbean Basin Initiative crucial for Reaganomics? Explain the significance of as it relates to Rosen (1) *Manuel Noriega* (2) the *Contra Army* (3) *Sandinistas* and (4) *Fidel Castro*? What was the significance of the *Panama Canal*? Answer each in a well-detailed paragraph of their own. **Use outside sources.**

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 one of the somewhat recent political situations in Nepal and Citizen-led Protest that led to Brihat Nagarik Andolan (BNA)?* Please correctly cite in-text citations in APA and be sure to use outside references. Be sure to show application from your knowledge of this course.

The Caribbean Basin Initiative (CBI) was critical to Reaganomics since it fulfilled several reasons that were in line with the administration's objectives. First, the CBI encouraged the expansion of assembly operations in the Caribbean and Central America, creating a new offshore alternative for the changing textile and garment sectors in the United States. The CBI attempted to prevent the growth of Soviet-Cuban influence and the feared communist danger in the Caribbean and Central America by supporting economic development and political stability in the area. Furthermore, the CBI was deliberately established to satisfy the demands of powerful sections of the textile and garment industries in the United States. It functioned as a trade and investment initiative associated with Reagan's anticommunist policy, exploiting textiles and garments as part of a larger economic and political objective. According to Rosen "When the cold war came to an end, the U.S. textile and apparel industries were playing a major role in the new trade and investment regime that had been developed by the Caribbean Basin Initiative. This regime was not merely the result of market imperatives but was designed by the Reagan administration to meet the needs of powerful segments of the U.S. textile and apparel industries." (Rosen,2002,CH8,P129)

Due to his prominent position as Panama's military leader and de facto ruler, Manuel Noriega played an important role in the context of the Caribbean Basin Initiative (CBI). The CBI gave economic and trade benefits to Caribbean and Central American countries, including Panama. This economic assistance aided the country's economic growth and prosperity, and Noriega benefited directly from these economic opportunities as Panama's president. However, due to claims of corruption, drug trafficking, and human rights violations, Noriega's relationship with the United States, grew more tense. Eventually, the US severed connections with Noriega and launched military action, which resulted in his capture and deposition. According to CNN, "In 1988 Noriega was indicted in the U.S. on charges of racketeering, laundering drug money and drug trafficking. He was accused of having links to Colombian drug lord Pablo Escobar's notorious Medellin cartel and, in the process, amassing a multi-million-dollar fortune." (Hooper, 2010)

The Contra Army was important to the CBI because it was part of a bigger effort to support anti-Sandinista forces and counter-communist influence in the region. The CBI benefited countries like Nicaragua economically, but the Contras attempted to destabilize the Sandinista government. This mix of economic and military assistance aims to mold the political landscape in Central America in favor of pro-US interests while undermining the power of left-wing movements. According to HISTORY, "Reagan claimed that the

Sandinista government was a satellite of the Soviet Union, that Nicaragua was instigating revolution in neighboring Central American nations, and that the Contras were merely to be used as a “shield” against any possible Sandinista encroachments in the region.”

(HISTORY, 2020)

The Reagan administration aimed to isolate and undermine the Sandinista government's power as it pursued socialist programs and allied with the Soviet Union. The United States hoped to weaken the Sandinista regime by fostering economic development in neighboring nations through the CBI. The United States attempted to undercut the Sandinistas politically and economically by combining military support for the Contras with economic assistance through the CBI, while also encouraging alternative development models in the region. The Contras and the CBI collaborated as part of the Reagan administration's efforts to influence Central America's political landscape and counter the rise of socialist movements connected with the Soviet Union. According to HISTORY, “Congress, and a majority of the American public, had not been supportive of the Reagan administration’s efforts to topple the Sandinista government in Nicaragua. Reagan began a “secret war” to bring down the Nicaraguan government soon after taking office in 1981. Millions of dollars, training, and arms were funneled to the Contras”

(HISTORY,2020)

The CBI was employed to fight Cuba's influence in the region in respect to Fidel Castro and Cuba. The program aimed at promoting economic development and trade with other Caribbean countries, reducing Cuba's regional influence and providing an alternative model to Castro's communist dictatorship. It attempted to isolate Cuba politically and economically, coinciding with the Reagan administration's greater goal of containing communism and promoting democracy.

The Panama Canal was crucial to the Caribbean Basin Initiative (CBI) because it provided a vital transportation link between the Atlantic and Pacific oceans. The Reagan administration established the CBI in 1982 to encourage economic growth and development in the Caribbean region. The Panama Canal enabled the efficient movement of products and resources between the United States and the Caribbean. Furthermore, the Canal provided the United States with a strategic military edge in the region, which was critical during the Cold War. The Canal was also a symbol of US influence in the region, which aided in the promotion of American interests and the maintenance of regional stability.

The extradition of former Panamanian dictator Manuel Noriega to Paris, France, is notable since he was accused in the 1980s of laundering drug trafficking revenues and transferring millions from a Colombian cocaine gang into French bank accounts and luxury residences. Noriega's extradition is not directly related to his period as Panama's ruler, but rather to his alleged money laundering activities in France. According to the Guardian, “Accused of having stashed millions of euros from a Colombian cocaine cartel into French bank accounts during the 1980s and using the money to buy luxury properties in Paris, Noriega had already been sentenced by a French court in absentia to 10 years in prison.” (Davies,2010)

3. Rosen discusses “Free Trade,” the end of quotas and tariff reductions. As noted several times in the book, trade policy for apparel has often been led by political agendas. *State (cite) a time in history when trade policy was in fact, affected by a country’s political agenda.* How would trade change if negotiations were made to have US apparel made in sub-Sahara Africa? *In your own words, what newsworthy events were reported about Venezuela’s President Hugo Chavez, Chilean President Pinochet, and Russian President Vladimir Putin that would affect foreign policy in the United States? Use three (3) additional outside sources. Answer each in a separate paragraph.*

During the Cold War, the United States and the Soviet Union were engaged in trade wars. Both countries put embargoes on each other to achieve political advantage, and during this time trade policy was influenced by a country's political agenda. According to JFKLibrary, “the two superpowers continually antagonized each other through political maneuvering, military coalitions, espionage, propaganda, arms buildups, economic aid, and proxy wars between other nations” (JFKLibrary,2023) Negotiations to manufacture US clothes in Sub-Saharan Africa could possibly result in good improvements to the region's economy, such as improved job and income prospects. However, there are a number of issues that could jeopardize Sub-Saharan Africa's ability to participate effectively in such a trade arrangement. However, the Africa Growth Opportunity Act (AGOA) has been successful in boosting the region's apparel sector in certain places, emphasizing the significance of the act's third-country fabric provision for US apparel sourcing from Sub-Saharan Africa. Better integrating the United States' trade strategy toward Africa with its broader strategic political and economic engagement could make it more cohesive and successful. The potential benefits of such a trade agreement might assist drive economic growth and have a good impact on the overall development of the region. Negotiations to having US clothes manufactured in Sub-Saharan Africa would revolutionize commerce by making it a more integrated market

A \$20 billion joint venture between Russian and Venezuelan companies was set to begin pumping 450,000 barrels of oil per day from the Orinoco heavy oil belt. Vladimir Putin's visit gave President Hugo Chavez a much-needed boost after he faced international criticism for failing to tackle Venezuela's economic problems and seeking to calm down opposition to his leadership. During his visit, Chavez stated that Moscow and Caracas would improve security ties in order to "continue increasing Venezuela's defense capability" and move forward with nuclear energy cooperation. Due to a national electrical shortage, Chavez's government is seeking assistance from Iran and Russia in developing nuclear power. (Boadle,2010). Due to this the US and its allies may need to examine policies and measures that could aid in Venezuela's democratic transition, such as indicting Russian people who violate US law in their ties with Venezuela.

During Augusto Pinochet's presidency in Chile, relations between the United States and Chile improved. This was due to Pinochet's backing for US foreign policy in the region, which included opposing the rise of communism. The United States provided monetary aid to Chile via the Alliance for Progress in order to create democratic administrations and infrastructure.

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