

BUF 4300: Global Sourcing & International Trade Policy
Final Essay Exam
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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. 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* Good Luck!

1. Why has department store business declined in the US along with department store business in *England, Germany, and Italy*? How has the *profitability paradox* affected this decline in profits? How has the *profitability paradox* changed the way retailers do business? 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? *What is causing retail flux currently (2021-2022), name two major issues and cite outside sources. How can they be resolved?* (50pts)

Department stores were once at the forefront of retail, reshaping commerce and altering the shopping experience. Nowadays, they barely hold on to dear life, but what happened? The downfall of department stores' can be accredited to "their inability to match supercenters and internet retailers on price and convenience" (Lahart, 2020). Back in the day, customers enjoyed shopping and would spend hours of their day at said department stores, but today everything is just a click away.

Overexpansion made it more difficult for department stores to sustain high enough and consistent profit levels to fulfill the new demands of public and corporate shareholders (Rosen, 2002, p. 188, pp. 3). Department Stores noted that sales would rise while gross margins would fall. This was due to an overabundance of stores and slow-growing customer demand, making it difficult for sales growth to keep up with operational expenditures as economies of scale diminished and competition increased (Rosen, 2002, p. 188, pp.3). In response, retailers fought to lower operational spending to offset this while increasing market share.

The profitability paradox has altered the way retailers do business. They now employ innovative methods such as lower labor costs and strategic partnerships (Rosen, 2002, p. 188, pp. 3). Lowering labor expenses includes reducing the number of people, reducing production, demanding greater productivity, or lowering other production costs. On the other hand, a strategic partnership allows each organization to cut costs while increasing revenue.

The pandemic, which has affected practically every area of the global supply chain, has significantly influenced the present retail flux (2021-2022). Factories in locations where much of the world's manufacturing capacity is located, such as China, South Korea, Taiwan, Southeast Asian nations like Vietnam, and European industrial behemoths like Germany, were heavily struck by coronavirus outbreaks (Goodman, 2021). Many factories were forced to close or limit operations because workers were ill. Another issue causing a strain on the present retail flux is Russia's war on Ukraine. The war has reduced the availability of particular crops, causing the complicated chain that connects suppliers, manufacturers, shippers, and retailers to consumers to fray (Cerullo, 2022). It is harder to get stuff from supermarkets as many shelves are empty, and consumers do not know what to do. Possible resolutions to these issues would begin with the pandemic calming down and then peace talks between Russia and Ukraine ending successfully.

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*?

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.

With the CBI (Caribbean Basin Initiative) founding, the Reagan administration rallied US agencies to develop programs to publicize and promote new economic opportunities in the Caribbean (Rosen, 2002, p. 134, pp. 2). The United States started providing financial aid to countries in the Caribbean and Central America, believing that they would use the funds to establish new businesses.

One of the countries that received funds was Manuel Noriega's Panama until the United States discovered that Noriega was a drug trafficker. When the United States found out, President Reagan repeated US demands for Noriega to surrender his power over Panama and leave the country. Otherwise, the US would suspend trade preferences and hold up a \$6.5 million financial aid payment due to the country from the CBI (Goshko, 1988). The US did not want a known drug trafficker running the country, so they had to make changes even if the people had to suffer if the government received no aid.

On the other hand, Nicaragua struggled with the conflict between the Contras and Sandinistas during the 1980s. There was a lot of anti-US rhetoric in the country, which strengthened the Sandinista relationship with the Soviet Union until the CBI emerged as the most promising long-term economic answer, capable of surrounding Nicaragua with enviable prosperity (Kerry, 1987). This was what the people of Nicaragua needed and what would keep them from turning red.

The Reagan administration was worried about Fidel Castro and what he might do next because the Soviet Union backed him. The US was concerned he would convince other Caribbean nations to turn communist. The CBI was created, which promised aid and preferential trade benefits within the Caribbean, and the US military sent some 6,000 US troops to invade Grenada in October 1983 to expel Cuban forces (Rohter, 1998). The United States did not want to let Castro spread his influence around the area and tried to stop anything he did before it could take off.

The Panama Canal is one of the most important creations of the modern world. The United States created the canal when there was no air travel, and it connected the Atlantic and Pacific Oceans while also offering a new route for international trade and military transit (Wagtendonk, 2014). Many regarded it as a strategic ploy to make the US the most powerful country on the planet as there was no other way to go between both oceans unless one circled the whole globe.

Manuel Noriega's extradition to France is significant because the country had been seeking to prosecute him for some time now. Noriega had allegedly used France's banking systems to launder money from all the drugs he was trafficking as dictator of Panama (Phillips, 2010). Although Noriega committed his crimes decades ago, it is good to know he was still paying for his actions and what he put the people of Panama through.

Manuel Noriega's end as Panama's dictator has a lot in common with what was happening with Nepal's Prime Minister K.P. Sharma Oli. Citizens of Nepal were taking to the streets and demanding that Oli step down after he violated their constitution and dissolved parliament (Sharma, 2020). Both Noriega and Oli put their people through some hard times, and the people were not having any of it, so it was time everyone banded together to kick them out of power.

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-Saharan 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?*

As stated, multiple times throughout the book, political objectives have frequently influenced apparel trade policy. When Mao Zedong defeated the Nationalist government, the United States was obligated to help rebuild Japan's textile industry to "contain communism and develop the political and economic links that would unite Japan to the Western democracies" (Rosen, 2002, p. 37, pp. 1). During the second red scare in the late 1940s and early 1950s, the United States was concerned that communism would take over the globe. The US' political agenda at the time was to contain communism and any new policies enacted made sure to stop the spread.

Trade would be complicated if negotiations were made to have US apparel made in sub-Saharan Africa. Many unstable and corrupt regimes, a lack of infrastructures such as roads, train services, port facilities, and a substantial proportion of the African population infected with AIDS were all considered barriers to development (Rosen, 2002, p. 206, pp. 0). In short, Africa would need to get it together and undergo an extensive reconstruction for the US to consider going in and allow them to make US apparel there.

President Chavez pursued a strongly anti-imperialist strategy in foreign policy, including regular rhetorical assaults on the United States (Bulmer-Thomas, 2013). With his anti-America stance, it should come as no surprise that Chavez went out of his way to befriend US foes while also strengthening ties with Cuba. This made the United States keep a close eye on him and what he preached in South America.

When he led the coup that ousted Dr. Salvador Allende's leftwing government in September 1973, Pinochet captured the world's attention and his people (Coad, 2006). Since Allende was a socialist, the United States turned a blind eye to what Pinochet was doing to his people if Pinochet contained communism in South America. The US' biggest fear was for communism to spread, and their foreign policies made sure to stop it as fast as possible.

With Vladimir Putin's invasion of Ukraine underway, the United States has been trying to figure out what to do and how to stop them. So far, the US has prevented Russia from making debt payments with the \$600 million it has in US banks, making it more difficult for Russia to repay its foreign debts, and banned all Russian oil and gas imports (Flatley & Maki, 2022). The US does not want to get involved and start a full-blown war because that could be the war that ends it all. Their foreign policy on Putin's Russia is to weaken it economically, so it backs out of Ukraine.

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