

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 store business declined in the U.S. because the rise of discount stores. According to Rosen (2002), she mentions how discount stores didn't become a "competitive threat to department stores until the mid-1970s" because "state and local fair-trade laws were abolished" (p. 185, par. 1). Another reason why department stores declined is apparel producers/companies began to open their own brick and mortar locations, which took away attention from department stores carrying private labels (Rosen, 2002, 184, par. 2).

Department stores declined in England because of COVID-19. According to Sarah Butler (2021), "More than 17,500 chain store outlets disappeared from high street, shopping centres and retail parks across Great Britain last year as the Covid-19 pandemic spurred the worst decline on record." The pandemic caused many stores to shut down and shift to online. Not only were shoppers forced to shop online, but they also soon got used to shopping comfortably at home.

Department stores declined in Germany because of the economic state of Germany. The department store, Galeria Karstadt Kaufhof in Germany, is looking forward to shutting down 52 of its locations by the end of this year because of "economic circumstances and "local conditions"" ("German

Department,” 2023). Some of these circumstances and conditions are creditors, a dramatic increase in energy prices, high inflation, and a lack of customer spending (“German Department,” 2023).

Department stores declined in Italy because of the impact from the COVID-19 pandemic. The COVID-19 pandemic caused many stores in Italy to close and shift to online. This shift created an increase in online sales but caused a decrease in in-store sales. According to Adegeest (2021), “35,000 businesses located in shopping centers and galleries are facing some of the greatest risks. Regulations to close at the weekend, which for many retailers represent 40 percent of their takings, is damaging the sector, Confesercenti said.” These regulations will impact the revenue and foot traffic of such businesses in the retail industry.

The profitability paradox has affected this decline in profits by retailers trying to find ways to increase their margins and productivity. Rosen (2002) mentions, “Retailers were involved in a struggle to reduce operating expenses while searching for greater market share” (p. 188, par. 3). Retailers did this because they reduced their retail prices, which caused their margins to decrease but increased their sales. Retailers were facing this issue because of an increase in locations and a decrease in consumer demand (Rosen, 2002, p. 188, par. 3).

The profitability paradox changed the way retailers did business to increase their profit margins. Rosen (2002) mentions “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” (p. 188, par. 3). Rosen (2002) also mentions, “By the mid-1980s, apparel retailers could remain profitable only by capturing a larger share of a considerably slower growing market” (p. 189, par. 2). These were the secure ways for retailers to maintain profitability.

One way the industry has prevailed during this time of retail influx was embracing the shift of e-commerce. This shift caused e-commerce sales to grow by 32.4% and reach \$791.7 billion in 2020, which was the peak of COVID-19 (Conley, 2023). Another way the industry prevailed during these times of retail influx was enhancing and prioritizing customers’ experiences. Since the COVID-19 pandemic, businesses implemented safety protocols instore to ensure a safe environment. Also, businesses have begun enhancing customers’ online experiences by offering personalization options and pick-up options.

One major issue that is causing a retail influx is the lack of truck drivers. The lack of truck drivers is causing an increase in transportation prices. Meyersohn (2018) mentions “148 companies in the S&P 500 have mentioned “freight,” “shipping,” or “trucking” on their earnings calls during the last four months — double the number from a year ago.” Meyersohn (2018) also mentions “Big suppliers have lost some pricing power in the Amazon era. Retailers and grocers are already under pressure to match Amazon, Walmart and discounters on price and will probably resist their efforts.” Not only will it affect delivery prices, but it’ll also affect businesses’ profit margins. A solution for this issue is to slightly increase wages and benefits, better working conditions, and lower the age requirement in certain states.

Another major issue that is causing a retail influx is supply chain disruptions. Ever since the COVID-19 pandemic, the supply chain has been a mess, and has caused a lot of problems. Three years later, the supply chain problem is somewhat back to normal to pre-pandemic but there are issues starting to arise. Loeb (2023) mentions, “One such disruption is already emerging and starting to impact West Coast ports; the contract between the International Longshore and Warehouse Union and the Marine Association expired last summer.” Loeb (2023) also goes on to mention how both parties have not come to an agreement and disruptions have begun although they’ve started negotiating in May of 2022, a year before the contract expiring date the 1st of July. There is a possibility we will experience more of these kinds of disruptions if agreements aren’t met. A solution to this issue is something else should be added

whatever both parties agreed to the previous time, as these last couple of years have taken a toll on people.

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 was crucial for Reaganomics because it aligned with Reagan administration's economic policies and objectives. Rosen (2002) mentions "His administration challenged the legitimacy of trade protection and undermined the power of the trade protectionists... As a result, Reagan began to implement the new free trade agenda. He started with the Caribbean Basin Economic Recovery Act" (p. 119, par. 1). Rosen (2002) also goes on to mention, "The CBI trade agenda was designed to promote restructuring of the region's quasicolonial trade and investment relationship with the United States" (p. 132, par. 4). The CBI helped push Reagan's objective of free trade.

Manuel Noriega was significant during this period because of his activities towards U.S. foreign policy. Tisdall (2017) mentions "Noriega helped the US to combat Cuban, and thus Soviet, influence in the region." The Caribbean Basin Initiative purpose was also to combat communism in Latin America and the Caribbean. Tisdall (2017) also mentions "Noriega was also closely associated with the Colombian Medellin drug cartel of Pablo Escobar. Funds from drug trafficking were used to buy arms, pay fighters and suborn government officials." This went against the Reaganomics agenda.

The Contra Army was significant during this period because of their agenda being similar to the Reagan administration. According to History.com Editors (2020), "Reagan claimed that the Sandinista government was a satellite of the Soviet Union... the Contras were merely to be used as a "shield" against any possible Sandinista encroachments in the region." The Contra Army was against communism which at the time was feared upon spreading into this region, as the U.S. was trying to help develop these regions. The U.S. wanted to pass a policy that would aid this army so the Reagan administration can proceed with their agenda of free trade.

The Sandinistas were significant during this period because their agenda opposed the agenda of the Reagan administration. According to History.com Editors (2020), "From the outset, U.S. officials opposed the new regime, claiming that it was Marxist in its orientation. In the face of this opposition, the Sandinistas turned to the communist bloc for economic and military assistance." The Sandinistas were seen as spreading communism in the Central America region which was going to hurt the Reagan administration's objectives for this region. History.com Editors (2020) also mentions, "In 1981, President Ronald Reagan gave his approval for covert U.S. support of the so-called Contras—anti-Sandinista rebels." Reagan aided the Contra Army so they could complete their objectives which led to a war.

Fidel Castro was significant during this period because he was against the Reagan administration's agenda. Castro had ties with the Sandinistas which were against the Contra Army, an army aided by the Reagan administration. Long (1985) mentions, "Castro's influence in Nicaragua is

enormous. He supported the Sandinistas in their fight for power during the 1970s, and his government has provided large amounts of aid..." The U.S. and the Reagan administration viewed this a threat to their agendas and objectives for the Latin America region and Caribbean region.

The Panama Canal was significant because of its importance to global trade. Reston (1977) mentions, "He proposed, in that quiet appealing way of his, that the Senate of the United States reject the canal treaty approved by President Carter..." Reagan and his administration went against the canal treaty approved by President Carter because he did not see any benefit from it.

Noriega's extradition to Paris, France was significant because it was a symbol for justice and accountability. In 1999, Noriega was convicted in-absentia in France for buying property there by laundering money from a Colombia drug cartel (Panama's General, 2011). According to Phillips (2010), "France has been seeking to prosecute Noriega for allegedly using its banking system to launder drug money." Then in March of 2010, the U.S. Supreme Court allowed France to extradite him to Paris and face a new trial, he was found guilty and sentenced to seven years but was able to serve his sentence in Panama with approval of the French court (Panama's General, 2011). Noriega's extradition showed that justice is always served, and people will always be held accountable for their actions.

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? Use three (3) additional outside sources. Answer each in a separate paragraph.

A trade policy that was affected by a country's political agenda was the U.S. Hawley-Smoot Tariff Act. According to Rosen (2002), she mentions "America's shift to trade liberalization first began in the Great Depression of the 1930s, Cordell Hull and others began to convince Franklin Roosevelt that the excesses of the Hawley-Smoot Tariff Act, with its high protective tariffs" (p. 14, par. 1). This policy was created as a response to the Great Depression. This policy was also created to protect domestic industries and decrease the number of imported goods by increasing tariffs. But this policy didn't have the outcome officials wanted. Rosen (2002) also mentions, "Other countries retaliated, raising their own tariffs for U.S. exports. The dramatic reduction in world trade that followed clearly contributed to the economic isolationism that bred the depression and World War II" (p. 58, par. 2).

Trade would change if negotiations were made to have U.S. apparel made in sub-Saharan Africa by causing a change in quota and tariff exports. Rosen (2002) mentions, "U.S. textile producers will get the equivalent of... tariff and quota advantages... will get the same quota-free and tariff-free treatment when it is exported to the United States" (p. 206, par. 5). If U.S. apparel was manufactured in sub-Saharan Africa, they're exports would increase and help create a textile industry as sub-Saharan Africa doesn't have one since their textile and apparel industry is small (Rosen, 2002, p. 206, par. 4).

A newsworthy event reported about Venezuela's President Hugo Chavez that would affect foreign policy in the U.S. is Venezuela's oil industry. Latin American countries such as Venezuela supplied the U.S. with oil during the 1970s (Rosen, 2002, p. 130, par. 4). Throughout the years, the oil industry in Venezuela flourished and has declines. But during Hugo Chavez presidency in 2007,

Venezuela's oil industry experienced a decline because "the Chávez government sought more revenue as the investments made by the international oil companies began to pay off... ExxonMobil and ConocoPhillips refused" (Rapier, 2019). This affected foreign oil companies such as ExxonMobil and created tension between the U.S. and Venezuela.

A newsworthy event reported about Russian President Vladimir Putin that would affect foreign policy in the U.S. is when Russia invaded Crimea. On February 27, 2014, armed Russian forces invaded the Supreme Council of Crimea and the Council of Ministers in Simferopol, which meant Russia was in control of Crimea ("Russia's 2014," n.d.). The U.S and its allies responded by disapproving the annexation and caused "The United States and the European Union threatened and later enacted sanctions against Russia" ("Russia's 2014," n.d.). Russia annexing Crimea impacted any relations and foreign policies between the U.S. and Russia.

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