**BUF 4300: Global Sourcing & International Trade Policy**

**Final Essay Exam**

**Spring 2020**

**Dr. Adomaitis**

Derian Pryce

**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. Please cite in-text APA appropriately.

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)? (50pts) Please cite APA.**

Department stores have declined across the world. Experts say that the recent closing of Bon-Ton and ongoing struggles of department stores are linked to the death of the middle class in the United States. As the middle class has shrunk, high-end and budget stores have become the most successful areas of the retail sector. According to a Deloitte study, revenues have grown 81% and 37% at high-end and budget stores, respectively, in the last five years. Meanwhile, stores in the middle range have seen a 2% increase in sales (Hanbury, M. 2018, June 26). The profitability paradox affected the decline in profits because the over expansion made it more difficult for stores to maintain high profitability levels high enough and stable enough to meet the new expectations of public corporate shareholders (Rosen, E. I. 2002, Pg. 188). Retailers started to do business differently they had to confront the paradox by reducing prices, margins which required them to increase sales. To prevail in this time of retail instability companies used new strategies to maintain profitability. The first one being the “Portfolio Approach” which is essentially capturing a large share of the growing market and attempting to get into the markets of other players in the industry in order to maximize their sales and create competition. A second way the industry survived instability was through new technology. Creating new technology is the best thing to do in a time of retail flux because it essentially creates a new avenue for your company to sell from. When companies like amazon developed a way to attract customers to their sites without having physical stores it created a lane for them to make money uncontested for a limited amount of time while other companies try to assimilate and adapt to their strategy.

1. **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? (50) Cite APA.**

Reaganomics helped the countries in central America connect and trade with each other effectively. (CBI) proposed free trade arrangements, tax incentives for investments, and foreign aid to improve economic conditions which threaten political and social stability in the region. (Rosen E. I. 2002, Pg 129). This would generate economic growth and export diversification in targeted countries, particularly in non-traditional products. Manuel Noriega was a Panamanian military leader, commander of the Panamanian Defense Forces considering the imminent transfer of power agreed upon in the Panama Canal Treaty. In 1989 Noriega canceled the presidential elections and attempted to rule through a puppet government. After a military coup against Noriega failed, the United States invaded Panama. He sought and was given refuge in the Vatican (embassy) in Panama City (Editors of Encyclopedia Britannica. 2020, February 7) Noriega. offered to help North assassinate or sabotage Sandinista leaders in return for helping Noriega improve his image with the U.S. government. Noriega agreed to train Contra soldiers in Panama for an invasion of Nicaragua. The Contras were the various U.S.-backed and funded rebel group that were active from 1979 to the early 1990s in opposition to the socialist Sandinista Junta of National Reconstruction Government in Nicaragua. The Sandinista National Liberation Front is a socialist political party in who led the Nicaraguan resistance against the United States occupation of Nicaragua in the 1930. Fidel Castro was the political leader of Cuba (1959–2008) who transformed his country into the first communist state in the Western Hemisphere (the Editors of Encyclopedia Britannica. 2020, February 4). Castro became a symbol of communist revolution in Latin America. Castro allowed the Soviet Union to keep some of their missiles on Cuba. Because Cuba is so close to America, this made them very nervous and the whole world came very close to war. The significance of the Panama Canal is that it creates shorter route for naval ships needing to pass between the two oceans and permits shippers of commercial goods, ranging from automobiles to grain, to save time and money by transporting cargo more quickly between the Atlantic and Pacific Oceans. in 1903, the newly independent Panama sold the rights to the canal to the U.S. for $10 million. The U.S. military had a strong presence in the Panama Canal Zone until 1999, when all U.S. military bases were closed. The canal is still used for the transportation of military water vessels. Noriega in France presents difficulties that insurmountable, the power struggle for countries to get a hold on Noriega to prosecute him. Panama insists on pursuing diplomatic and legal channels to return Noriega to his country to face the sentences imposed by Panamanian courts. Noriega has three convictions for human rights violations in Panama, however, each carrying a 20-year prison sentence. This relates to the situation in Nepal because the past is filled with examples of the U.S first helping a country and then later dumping people like Noriega and Saddamn Hussein into power. US and other powers who are currently backing Nepal in this fight against terrorism will withdraw their support and leave them high and dry once their interests have been served.

1. **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 considered a major player in apparel production because remains the world’s largest apparel exporter and have one of the most well-developed garment industries. Devaluing the Yuan helps china because Exports will increase, and imports will decrease due to exports becoming cheaper and imports more expensive. On August 11, 2015, the People’s Bank of China (PBOC) surprised markets with three consecutive devaluations of the yuan the move had substantial repercussions worldwide. (Investopedia. 2020, January 29). “The Chinese government has been able to amass large foreign exchange reserves and promote its export and discourage imports (Rosen E. I. 2002, pg 220)

1. **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 paying lower prices for apparel? If so, then why is high fashion apparel so expensive? Defend your answer with a citation and be sure to include the significance of tariffs. (50pts)**

After 9/11 The U.S textile mills also closed their doors to the eastern region of the world laying off approximately 60000 workers and forcing Asian countries to increase their imports by 80%. Job loss increases how much money the average consumer gets to spend on product that increases the GDP. Unfortunately, lower wages for factory workers have increased over the years, which means that the number of sweatshops that have reemerged in the united states has increased. This means that the average price of products that are created and sold to the U.S are relatively cheaper since the product is being made in this way. Since trade liberalization is the removal or reduction of restrictions or barriers on the free exchange of goods between nations. These barriers which include tariffs, such as duties and surcharges, and nontariff barriers, such as licensing rules and quotas apparel companies employ several pricing strategies to differentiate their brand and gain competitive advantages in the marketplace. the Reciprocal Trade Agreements Act (RTA) In 1934 gave President Franklin Delano Roosevelt the right to negotiate tariff reductions with individual trading partners. (Rosen, E. I. 2002 Pg. 58) Clothing retails at expensive prices to the consumer because consumers make their evaluation of the product based on the price and the quality of name brands. The cost of labor and technologies also influence these prices**.** Discounting was used to further liberalize trade in textiles and apparel. Initially they sold lower price goods rather than the well-advertised brands in the 1950s (Rosen, E. I. 2002, pg 185) Discounting retailers like Tanger and Prime Outlet Shopping centers offer low prices and knowledgeable service. Discount stores specialize in a specific assortment of goods within a retail category this allows for companies to eliminate the complexities of shopping in different places

1. **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 reference. Describe how the Lowell Model has shed light on the difficulties of being a woman in a low-wage industry. Please be specific. (50pts) Cite APA.**

Triangle Shirtwaist Factory (Chapt 1, Rosen)

Maquiladoras Mexico (Maquilapolis: City of Factories) (Film 2006)

The Lowell Model had many women able to attain economic independence for the first time, free from fathers and husbands. The system created a new way to control the labor supply. The mill hired young, single women, between the ages of 15 and 35 in order to persuade young women to leave their farms and small towns to work at the mills, Lowell created a factory community by building boardinghouses that were run by chaperones who enforced strict moral codes and he also made attendance of religious services mandatory (Brooks, 2017, January 25 )The Lowell mill girls earned between three and four dollars per week. The cost of boarding ranged between seventy-five cents and $1.25, leaving a portion of their pay to themselves. As a result, while factory life would soon come to be viewed as oppressive.

References

Brooks, R. B. (2017, January 25). What Was the Lowell System? Retrieved from <https://historyofmassachusetts.org/lowell-mills-factory-system>

Hanbury, M. (2018, June 26). The death of the American middle class has brought department stores down with it. Retrieved from <https://www.businessinsider.com/american-middle-class-disappearing-department-stores-suffer-2018-6>

Investopedia (2020, January 29). The Impact of China Devaluing the Yuan. Retrieved from <https://www.investopedia.com/trading/chinese-devaluation-yuan/>)

The Editors of Encyclopaedia Britannica. (2020, February 7). Manuel Noriega. Retrieved from <https://www.britannica.com/biography/Manuel-Noriega>

The Editors of Encyclopaedia Britannica. (2020, February 4). Fidel Castro. Retrieved from <https://www.britannica.com/biography/Fidel-Castro>

Rosen, E. I. (2002). The Globalization of the U.S. Apparel Industry:

Making Sweatshops. University of California Press.