

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. 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.**

The department store business has declined in the US along with department store businesses in England, Germany and Italy. The decline in the United States is due to pullback of income. People were not earning as much due to the sluggish United States economy throughout the 1970s. “ Department store expansion slowed during the 1970s, when an economic downturn and stagnation in family income reduced the growth of consumer demand for apparel (Rosen, 2002, p179, par 0)”.

In Germany, department stores were slowly losing profit margin because discount stores would operate around the same area. These discount stores would display prices more appealing to the consumer. These discount stores would be located in German suburbs, usually where the big department stores would be located. In a quote from an article, it gives a prime example as to how this would play out. “Cash and Carry

discounters in the suburbs and countryside were cutting into their business. That was when Hertie and Horten & Co. had gone under. The Hertie name made an attempted comeback under different management, but is insolvent again (Wenkel, 2008)”.

Italy has experienced this decline due to the drastic shift to online shopping. Online shopping has provided a great sense of convenience for people who stay at home. Due to this surge of e-commerce, brick and mortar stores are forced to implement new ways of service even if it means adapting to e-commerce themselves. However, it has not been the smoothest transition for most department stores. “ The restriction measures, due to the ways in which they continue to be implemented, are determining a structural and non-governed redistribution of the sales shares towards the online channel,” said Confesercenti. 35,000 businesses located in shopping centers and galleries are facing some of the greatest risks (Adegeest,2021)”.

The profitability paradox has changed the way retailers do business in the U.S in a number of ways. According to a statement provided from Rosen, a chief executive from a disclosed leading department store blames that retailers are reaching out to private brands. Private brands have the ability to project a brand image that garners consumer loyalty and attraction based on its price and performance regarding the product being provided. “ “Department stores are trying private brands (traditionally national chain turf), the National Chains are getting into fashion, some of the original discounters are going upscale, and specialists are niching into every one of those markets with every one of those strategies. Everyone is trying to get the other’s market (Rosen, 2002,p.189,par 3)”.

One way the department store industry prevailed during the profitability paradox was implementing the portfolio approach. This approach consisted of department stores shopping the market for slow growing markets. The end goal was to enhance executive power. “By the mid-1980s, apparel retailers could remain profitable only by capturing a larger share of a considerably slower growing market. Retail corporations began using the “portfolio approach” to increase their corporate power (Rosen, 2002, p.189, par 3)”.

Another way department stores prevailed during this time is by introducing strategic partnerships. Strategic partnerships when done correctly creates a synergy of marketing that will attract more consumers.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, p.188, 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 was crucial to Reaganomics because during his term, communist activities were becoming more prominent internationally. This sole observation influenced him to ensure that the relationship between Latin America and the United States was groomed handsomely. One of the swift actions President Reagan took was supplying Latin America with more military stability and capital in hopes to create a communist fortress. “As Reagan entered the White House in 1981, the growth of left-wing movements heightened his concern about Soviet inspired insurgencies. He responded with a new round of economic aid to counter these insurgencies, developing new U.S. military initiatives in the region predicated on his belief that Soviet influence had to be rooted out and destroyed (Rosen, 2002, p.130, par 0)”.

There is great significance in regards to Manuel Noriega and his relationship with the United States/Caribbean Basin Initiative. Noriega was perceived as an ally of President Reagan and supported his efforts in suppressing the power of a communist party known as the Sandinistas residing in Latin American country Nicaragua. “General Manuel Antonio Noriega had been an ally of the Reagan administration in its war against the Sandinistas in Nicaragua (Azrael, 1996)”. However when Noriega stepped in as leader of Panama after his predecessor died, he began to defy the United States motives towards communism. Throughout his dictatorship, Noriega portrayed an immense amount of communism and notoriety that severed his relationship with the United States. “But Noriega's cozy relationship with the cartels and the killing of a top political opponent in 1985 both put his relationship with the United States in jeopardy (Forde, 2017)”.

During President Reagan's presidency, he implemented the use of the Contras. The Contras were established in efforts to neutralize the Sandinistas of Nicaragua. The Sandinistas left-wing ideology had great potential to spread as Nicaragua's political and economical infrastructure was not that strong and relied heavily on United States activity. This was the case for most Latin American countries and a major con in regards to the Caribbean Basin initiative. Assembling the Contras was one of many ways President Reagan aimed to disrupt communist activity. “President Ronald Reagan signs off on a top secret document, National Security Decision Directive 17 (NSDD-17), which gives the Central Intelligence Agency the power to recruit and support a 500-man force of Nicaraguan rebels to conduct covert actions against the leftist Sandinista regime in Nicaragua. A budget of \$19 million was established for that purpose (Onion, 2009)”.

The Caribbean Basin Initiative in part was made to disrupt communist activity. The Sandinistas of Nicaragua are a prime example. Despite the fact that the Sandinistas were socialist rather than communist, their ideology still had great potential in poisoning Nicaragua's future. The Sandinista beloved in swift punishment and suppressed voices of the Nicaraguan people. In an article, Robert Cox interviews a farmer who has witnessed the aftermath of the Sandinista's aggressive rule. “I saw seven people with their throats cut in La Fragua and they said it was done by the contra. They were (Sandinista militia) that were killed, maybe, but it was bad. I saw them with my own eyes, and I can tell you

this is ugly work . . . (Cox, 1986).”

Fidel Castro allied himself with the Soviet Union. The Soviet Union are prime enemies of the United States due to their communist ideology which the United States believes may hinder the growth of Latin America. Despite the CBI aiming to fund the countries in the Caribbean with the appropriate capital , the Soviet Union also did the same in order to stamp the loyalty of dictator Fidel Castro. “In 1981, when Reagan entered the White House, he saw a new communist threat in the Caribbean and Central America—the stepchild of the Castro regime in Cuba (Rosen, 2002, p.129, par 1).”

The United States had taken great interest in the Panama Canal not only because it meshes with their CBI in initiative but majority of goods pass through there. According to a report provided by Rosen, it states that of the goods being transported through the Canal and Gulf of Mexico, nearly half are engaged with U.S trade. “U.S. security and military interests in the Caribbean and Central America region are widely known. The region’s shipping lanes are vital to U.S. defense and prosperity. Two-thirds of the oil imported by the United States, nearly half of U.S. trade, and many strategic minerals pass through the Panama Canal or the Gulf of Mexico (Rosen, 2002, p.131, par 5)”.

The significance of Manuel Noriega’s extradition to France is what he was charged for and country involved with the charge. Manuel Noriega was said to have done business with the Columbian Cartel pertaining money laundering. During this time Fidel Castro was also in power and in cahoots with the United States.

This relates back to the time he was dictator of Panama because he would engage in obscure activities that the United States grew weary of. One prime example would be the Iran-Contra. Despite his efforts to help the United States neutralize Iran, United States obtained intel that would drive them to not only overthrow Noriega from power but in prison him.

These events in retrospect mirror the current events in Nepal regarding the communist Maoist revolutionaries. Like communism in Latin America, it was spreading at an alarming rate due to the countries poor economic and political infrastructure. The Maoist of Nepal took the opportunity to create their own framework of government and enforced aggressive tactics to maintain order. These tactics would mostly derive from the military and brute physical force. “ The Maoists are at heart a political party. They have developed military capacity but it is subordinated to political control. They use terror tactics and coercion but they are not simply terrorists (Brussels, 2005)”.

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)

China is a powerhouse in regards to textile and apparel production due to their advancement in technology. Throughout the 1980s, China became competitive in the textile and apparel market. “ Spending heavily on labor-saving, state-of-the-art technology, China began to bring its textile industry up to globally competitive standards. Its textile and apparel capacity became heavily concentrated and vertically integrated (Rosen, 2002, p. 207, par 1)”.

By devaluating and inflating the Yuan in China, China lowered export cost. Lowering of export cost gives them enough capital to venture off into other financial endeavors. “ Impact of devaluation in Yuan If the Yuan falls in value, Chinese exports will become cheaper compared to other countries (Pettinger, 2020)”.

One major advantage of lowering the Yuan was the reserve of huge foreign exchanges. “By devaluing its currency, the Chinese government has been able to amass large foreign exchange reserves and, at the same time, to promote its ex-ports and discourage imports (Rosen, 2002, p.211, par 11)”.

One disadvantage of lowering their currency was the increase in import prices due to the lower export prices.

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.

Job loss according to the text has attributed to the benefit of consumers who purchase apparel goods. According to Rosen, economist promote the idea that in the industry of apparel and textile production, the job lost creates opportunity for a better job to be created. A better job means that income increases, allowing spending practices to be much more lenient. “For economists, eliminating one job and creating another presumably has the same economic value to the overall economy. This is especially true when the job created pays more than the job lost. According to C. Fred Bergsten of the Institute for International Economics, Americans do not understand the way free trade promotes Americans’ economic welfare (Rosen, 2002, p.224, par 3)”.

Lower wages create a surplus in extra capital in the market for textile and apparel industries. This money can be used to buy more textiles and create them into finalized goods (apparel). Although wage losses would discourage workers from sustaining their job, going back to the job loss effect, a new job would be created in hopes to be more efficient and profitable.

Pressure for retail profitability will promote competitiveness amongst retailers. Retailers will then be forced to be the best version of themselves even if it means lowering their prices. Lowering their prices, consumers would gravitate towards their product and overtime invest their money into that certain product. This creates a brand loyalty that will not be able to cease unless an aggressive competitor takes their customer.

Trade liberalization eliminates the use of tariffs. By eliminating tariffs, which are a global trade barrier, it promotes more export activity and allows other countries to obtain more product. The elimination of tariffs were featured on a number of trade agreements in terms of global trading. Tariffs are highly significant because they act as an accumulating tax that is an important part of a nations economy.

Consumers are paying less for apparel because the market of fast fashion is immense. Fast fashion has been able to pick up a variety of trends within weeks. However, the poor quality of the clothing is what differentiates itself with high fashion. The imports of fast fashion most likely come from sweatshops where the labor cost are drastically low and working conditions are poor, hence the poor quality. In comparison to high fashion, the intricate details and material implemented may come from factories that are thriving in industrialization. In an article from the insider, it is explained that fast fashion has been able to mirror pricier trends for almost half the cost. “Fast-fashion retailers like Zara — which have conditioned consumers to know that they can get runway-like looks for less — should already have traditional retailers shaking in their full-price boots (Schlossberg, 2015)”.

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).

An article written by Joni Sweet explains how women in the 1960s were paid less than almost 1/3 of a dollar compared to men. Women were paid 18 cents less. “ In 1960, women only earned about 61 cents for every \$1 that a man took home, a number that ticked up to 82 cents by 2018—but that still leaves another 18 cents to go overall (Sweet, 2020) .

Another prime example of unequal pay was after World War II , women were paid less and removed from the workforce when soldiers came back from their victory against Japan. “Not only did employers fail to heed this "voluntary" request, but at the war's end most women were pushed out of their new jobs to make room for returning veterans (Rowen, 2020)”.

The Lowell Model exploits the constant hardships women endure in the workforce. Men in the family are perceived as breadwinners, automatically putting women at an disadvantage for financial ventures and opportunities.. “ The value of factory jobs to women—two centuries ago in Lowell, Massachusetts, and since then in the growing industrial economies of the West and many parts of the developing world—has resided in the fact that they allow young women, usually as daughters but often as mothers, to supplement a larger family economy, one supported primarily by a male breadwinner (Rosen, 2002, 245, par 3)”.

References

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