

BUF 4300: Global Sourcing & International Trade Policy  
Final Essay Exam  
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. Organize your thoughts. Remember grammar, punctuation & spelling count as 65% of your final examination grade.

- 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 cite APA.**

**Answer:** In the US, department stores and corporations declined along with department stores in England because online shopping, which is growing faster than any other supermarket, brand-specific outlets and discount stores, is persuading consumers away from conventional stores. Discounters are growing their market share too, selling bargain-priced wares in smaller assortments than department stores (DW, 2014).

This fall in income was caused by the profitability paradox as cheaper products can easily be bought online. For the cheapest factories and cheapest labor, brands are criss-crossing the globe to sell high volumes of apparel garments (Adegeest, 2020). In China, the production of cheaper fashion products began, then shifted to Vietnam, Africa, India and Bangladesh, countries that can maintain the low-cost, high-volume business model's margins.

- 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 somewhat recent political situation in Nepal and the Maoist revolutionaries?**

**Answer:** The Caribbean Basin Initiative was a trade program also known as the CBI, which was created to improve the expansion of a secure Caribbean Basin economy by providing most products with duty free access to the United States market for beneficiary countries.

The significance of Manuel Antonio Noriega Moreno (February 11, 1934 – May 29, 2017) was a Panamanian politician and military officer who was the de facto ruler of Panama from 1983 to 1989. He became an officer in the Panamanian army, and rose through the ranks in alliance with Omar Torrijos.

The significance of the Contras were the various U.S.-backed and funded right-wing rebel groups that were active from 1979 to the early 1990s in opposition to the Marxist Sandinista Junta of the National Reconstruction Government in Nicaragua.

The significance of the FSLN overthrew Anastasio Somoza DeBayle in 1979, ending the Somoza dynasty, and established a revolutionary government in its place. Having seized power, the Sandinistas ruled Nicaragua from 1979 to 1990, first as part of a Junta of National Reconstruction. The FSLN is now Nicaragua's sole leading party.

The significance of returning to Cuba, Castro took a key role in the Cuban Revolution by leading the Movement in a guerrilla war against Batista's forces from the Sierra Maestra. After Batista's overthrow in 1959, Castro assumed military and political power as Cuba's Prime Minister.

The significance of the Panama Canal 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.

The significance of Noriega extradition to Paris, France was after a six year extradition battle, former Panamanian dictator Manuel Noriega arrived early Tuesday in France, where he was served with an international arrest warrant and is expected to face charges of laundering drug money.

In 1970, the Central Intelligence Agency (CIA) recruited Noriega, a rising figure in the Panamanian military to help in the U.S. struggle against the spread of communism in Central America. Noriega got embroiled in the trade of narcotics and was suspended from the CIA payroll in 1977. Noriega was taken back into the CIA fold after the Marxist Sandinista government came to power in 1979. He became the military dictator of Panama in 1983.

The Maoist insurgency has changed Nepal in less than ten years. Armed struggle has been spread across the country by the Communist Party of Nepal (Maoist) and has irrevocably reshaped its political climate. But their political goals are still disputed, and their structure and strategy are not sufficiently understood.

- 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.**

**Answer:** China is considered to be a major player in the development of apparel since its textile industry has begun to grow to globally competitive levels. The fashion companies

making clothing apparel in the United States have continuously been in direct competition with not only the big three, but also with Chinese and other Asian clothing factories (Rosen, 2002. pg. 207, para. 3).

China has the world's leading production system for cotton, man-made fabrics and the processing of garments. In 1998, one fourth of China's global exports were clothing and fashion products. Around one-seventh of China's manufacturing employees are employed by these two associated sectors, accounting for 6% of China's industrial production (Rosen, 2002. pg. 210, para. 3).

The People's Bank of China (PBOC) shocked investors with three Yuan (CNY) devaluations, throwing more than 3 percent off its value. While the move was abrupt and considered by many to be China's drastic effort to raise exports in support of an economy that has developed at its slowest rate in a quarter-century, the PBOC said the devaluation was part of its reforms to push for a more market-oriented economy. The shift had big global impacts, the stock market dropped, and most currencies have also increased (Lioudis, 2020). Devaluation increases export, reduces trade and pressure of debt.

Food prices, which have risen by over 11 percent, are the inflation issue in China. Although some of this rise is related to shifts in foreign food markets, higher farm wages are responsible for much of the problem in China. China has been left with declining rural labor power by the appeal of higher incomes in urban areas. This has contributed to a rise in salaries for farm workers in some countries. The rising cost of food means that these higher labor costs are passed on by the Chinese customer (Navarro, 2010).

- 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 a citation and be sure to include the significance of tariffs.**

*Answer:* Job loss: NAFTA (North American Free Trade Agreement with Mexico, a trade that lowers tariffs) was signed by the U.S. If trade decreased the number of available workers, then for decades the United States could have seen a steady employment loss.

Lower wages:

Pressure for retail profitability:

Trade liberalization:

Apparel apparel retails to buyers at costly rates because manufacturers of clothing and clothing are making greater efforts to offer more textiles or clothing to increase market share (Rosen, 2002. pg, 177. para. 2).

A lot of clients enjoy low prices when shopping for clothes. Serving this segment would produce substantial total revenue at the cost of reducing one year for each profitability. Customers in this sector are able to exchange quality for price and are less likely to stay loyal to specific brands (Ingram, 2016).

- 5. Women have been part of the apparel workforce 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.**

*Answer:* In factories in El Salvador that work with Walmart, Kmart, and Leslie Fay, women create apparel. When they enter and exit the factories, they work eleven hours, six days a week, checked by armed police. They arrested, charged, and fired women who refused to work overtime. If the results end up positive, women have to pay for pregnancy tests and are fired. In some cases, industry workers experience physical violence and sexual harassment. There would be no ventilation or water in these factories. Staff were only able to use the bathroom once a day and the conditions of the bathrooms were bad (Rosen, 2002. pg. 242, para. 1).

In Singapore, women are the lowest-paid employees because they have to earn less than the men in their families. In Malaysia, female workers in the manufacturing sector earn enough to save a large proportion of their income for family expenses, particularly if they are rural-urban migrants living alone (Rosen, 2002. pg. 241, para. 4).

The Lowell Model will serve as a context in which such economists see a contrast between the experiences of women in today's fashion industry and those of textile workers at the beginning of the nineteenth century in Lowell, Massachusetts. Women working in industrial production in developed countries may be removed from manufacturing areas, but the current international division of labor has made women increasingly vulnerable to changes in family structures and to new types of pay and domestic jobs (Rosen, 2002. pg. 240, para 1).

## References list

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