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BUF 4300: Global Sourcing & International Trade  
Midterm Essay Exam Timed 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 to the best of your knowledge the following essay question. Use detail where appropriate. Remember grammar, punctuation & spelling count. Cite using APA formatting when using citations. Over cited papers will lose points as this exam is to validate your opinions with citations not to cite several sources to defend an opinion. I want to know your opinion based on the reading, discussions and articles. (25pts each).

Essay #1

- a. How did the defeat of the French at Dien Bien Phu alter U.S. foreign policy in regards to textiles and apparel trade in Southeast Asia? Defend your answer with two citations from Rosen. How did Vietnam alter American opinions about the war? Please cite a source outside of Rosen.**

**Answer:**

The defeat of the French at Dien Bien Phu alter U.S. foreign policy in regards to textiles and apparel trade in Southeast Asia because the need to contain communism ultimately won the battle to extend the Reciprocal Trade Act. As debate on the extension of the Trade Agreements Act in 1954 heated up, communist forces defeated the French at Dien Bien Phu (Rosen, 2002. Pg. 64, para. 3).

The Vietnam War severely damaged the U.S. economy. Unwilling to raise taxes to pay for the war, President Johnson unleashed a cycle of inflation. The war also weakened U.S. military morale and undermined, for a time, the U.S. commitment to internationalism (Digital History, 2020).

- b. Was there a true threat communism in East Asia? Defend your answer with an understanding of both the defeat at the 33<sup>rd</sup> parallel in the Korean War in the 1950s and the Vietnam War in the 1960s and 1970s. How did this have an impact of the Hong Kong, South Korea, and Taiwan? How did it assist in the globalization of retailing? Defend your answer with one citation from Rosen and one outside source to support your opinion. (Remember APA citation).**

**Answer:**

As communists began to take power in East Asia, the state department started to inspect MacArthur's leadership of the Japanese recovery. MacArthur saw the defeat of Japan as the result of the country's failed militarism, a consequence of the Japanese prewar. MacArthur succeeded in getting the Japanese Diet to support agrarian reform and eliminate the power of the prewar Japanese landed aristocracy. He hoped to rebuild Japan's industrial structure and civil society along Western liberal, individualistic, and entrepreneurial lines. Consistent with the goals of the State Department, MacArthur also wanted to see Japan as a democratic bastion of Western capitalism in the Pacific. He envisioned a reconstructed Japan ties to the West through trade and investment and sought a way to stabilize Japan and secure America's position in the Far East (Rosen, 2002. pg. 33, para. 2).

Taiwan and South Korea had developed textile and apparel industries that produced goods primarily for the domestic market. Hong Kong's textile industry was tied to the British sterling bloc. A British Crown colony, Hong Kong benefited from free access to the textile markets of the United Kingdom. In 1959, however, the Lancashire Agreement, with which Great Britain began to restrict textile imports from its sterling-area trade partners, made Hong Kong's textile exporters turn to U.S. markets (Rosen, 2002. Pg. 47, para. 2).

In Taiwan the government began to subsidize production of textiles and, particularly, apparel for export by offering tax rebates to entrepreneurs. The government also built duty-free export-processing zones to encourage foreign investment in garment assembly. The Korean government too made this type of apparel assembly a priority, offering exporters a variety of subsidies and creating an infrastructure to facilitate the processing of apparel for export (Rosen, 2002. Pg. 47, para. 3).

Competition. **Globalization** leads to increased competition. This competition can be related to **product** and service cost and price, target **market**, technological adaptation, quick response, quick **production** by companies etc. When a company produces with less cost and sells cheaper, it is able to increase its **market** share (Bookboon, 2019).

**Essay #2**

- a. **After reading Chapters 1-4 in Rosen's Globalization of Apparel and Textiles book, it is apparent that most apparel sweatshops came into existence in countries located in the Pacific Rim. Sternquist mentions four (4) stages and Allen from Second Hand Distribution mentions (5) stages in the Growth of Retail or Retail Stages. When the U.S. was analyzing the cotton industry, what retail stage was the U.S. in and Japanese cotton industry in after WWII?**

**Answer:**

These clothing imports were usually made in Japan, Taiwan, or Hong Kong of cotton or man-made fibers spun or woven and assembled in Taiwan or Hong Kong. They were mainly manufactured for U.S. importers, textile producers, and retailers by low-wage women workers at factories under contract. They were sold at considerably lower rates in U.S. department stores than equivalent domestically manufactured goods. In the early stages of the growth of export processing, these trade relations had little resemblance to the commercial relations mentioned by David Ricardo in his treatise of the eighteenth century on the importance of free trade, or to the exchange of goods between developed countries, where the products produced in one country were exchanged for those produced in another (Rosen, 2002. Pg. 71, para. 4).

- b. Give three (3) reasons why the U.S. chose the cotton industry to rebuild Japan. Give two (2) citations from Rosen to defend your answer. How can technology (Analyze the Industry (Allen/Lecture 2)) help sustain the cotton industry? Give at least two (2) reasons.**

**Answer:**

One reason why the U.S. chose the cotton industry to rebuild Japan is because silk represented only 22 percent of all textile exports in 1937, it earned a higher rate of exchange than cotton or rayon textiles. Before the war Japan had also imported coal and wool pulp to make rayon. But the import costs of these raw materials represented a large proportion of the total cost of production for both rayon and cotton fabrics. This cost reduced the foreign exchange value of these goods. Therefore, although cotton textile exports represented 30 percent of textile production in 1937, cotton added relatively little to Japan's foreign exchange reserves (Rosen, 2002. Pg. 28, para. 3).

The second reason is the difficulty of finding supplies of raw cotton soon disrupted SCAP's schedule for producing and exporting textiles and was one of the causes of the first post-World War II congressional dispute over the United States-Japanese textile trade, a skirmish that was won by the State Department (Rosen, 2002. pg. 30, para. 1).

The third reason is Export of surplus cotton to Japan was close to the hearts of U.S. cotton producers and clearly consistent with SCAP's agenda for rebuilding Japan's cotton textile industry. As raw cotton arrived from the United States, textile production in Japan increased. By 1949, the combined effort of Congress, the cotton lobby, and SCAP had financed the rebuilding of the Japanese textile industry to the point where the effort began to bear fruit; increasing quantities of textile product were readied for export (Rosen, 2002. Pg. 35, para. 3).

One reason why technology helps sustain the cotton industry is when the U.S. foreign aid policies making it possible for the new Asian mills to purchase new

technology and employ low-wage labor, U.S. textile producers inevitably perceived a serious difficulty in remaining competitive, given that 65 percent of the textile machinery used by domestic producers had been made obsolete by new technology (Rosen, 2002. Pg. 49, para. 2).

The second reason is the fact that domestic textile producers were responding to real economic threats from Asian producers. U.S. subsidies of foreign aid, modern technology, cheap cotton, and, by the mid-1950s, annual tariff reductions all meant that imported Japanese goods could be sold in the United States at bargain-basement prices (Rosen, 2002. Pg. 87, para. 2).

- c. Explain why sweatshops exist in the U.S. which is a country in the G8 and is considered to have well-developed retailing practices. Why do we have sweatshops in New York, Texas, and California? Defend your answer.**

**Answer:**

Sweatshops exist in the U.S. because it is a firm that offers poorly paid jobs or an authoritarian system of industrial relations. The wages such companies pay are below the federally mandated minimum, or the conditions of the employment they provide are substandard in terms of the criteria first set in 1938 by the U.S. Fair Labor Standard Act. Employees who provide such jobs violate federal law. Apparel sweatshops in the United States tend to be concentrated in New York, California, and Texas, but they can also be found in most other large American cities, where they typically employ groups of new immigrant women (Rosen, 2002. pg. 2, para. 3).

**Reference List:**

*Digital history*. (n.d.). UH - Digital History. [https://www.digitalhistory.uh.edu/disp\\_textbook.cfm?smtID=2&psid=3469](https://www.digitalhistory.uh.edu/disp_textbook.cfm?smtID=2&psid=3469)

*How globalization affects business*. (2019, November 25). Bookboon. <https://bookboon.com/blog/2011/10/how-globalization-affects-business/>

