

BUF 4300: Global Sourcing & International Trade Policy
Final Essay Exam
Spring 2023
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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. 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 (look at Purdue Owl/ APA). Organize your thoughts.

Remember that grammar, punctuation & spelling count as 65% of your final examination grade. Application to current events is graded higher than answers straight from Rosen. Each essay is worth 100 points, and matching must be less than 20%. Use Purdue Owl Online Writing Lab. Good Luck!

1. Why has department store business declined in the US and *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 at least two ways the industry has prevailed during this 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 significant issues and cite **two outside sources**. How can they be resolved? (Think Critically).*

There are several reasons for the decline of American department stores. First, with the advent of the digital age, consumers are more inclined to shop online than in physical stores. Second, market competition has become more intense, with department stores facing pressure from competitors such as e-commerce platforms, large chain stores, and fast fashion brands. In addition, economic uncertainty has caused consumers to reduce spending, especially on non-essential purchases. Finally, the COVID-19 outbreak has significantly impacted brick-and-mortar retail, with lockdowns and restrictions causing many stores to close and consumers to shop less (Rey, 2020).

The UK has the world's oldest and best-established department store industries. Moreover, when you need to use the facilities (toilets), you need to pay (\$1.65 US) (Sternquist, 1998, Lecture UK, p. 10). According to official data, England's retail sales have shifted spending to go out more after the economy reopened dining, while the storm prevented people from going to the stores. This is mainly due to the epidemic and the rising cost of living, which has led to a decline in retail sales in the UK (Sweney, 2022).

Germany is home to one of the world's largest and most technologically advanced manufacturers, and the department store industry in Germany was at its heyday in the 1980s. However, the reason for the decline in the German department store business is related to the retail situation before the reunification of Germany. During the division of Germany, East German residents could only buy consumer goods from government-designated stores, and the types of goods available for purchase were minimal. Under the socialist system of East Germany, the development of the market economy was strictly controlled and restricted. East Germans could only buy government-approved goods, and supplies were relatively scarce. (Sternquist, 1998, Lecture Germany, p. 18).

Italy is known for its fashion houses and shopping malls, and the Byzantine structure of Italian distribution prevents foreign retailers from entering the market. This will lead to a decline in the Italian department store business. Italian retailing is more focused on other types of business, especially supermarkets. Supermarkets occupy an important position in the Italian market, and consumers are more inclined to choose supermarkets when purchasing food and daily necessities. This market trend has exposed department stores to competitive pressure from the supermarket business as consumers' shopping preferences shifted to supermarkets, a more convenient and comprehensive option. (Sternquist, 1998, Lecture Italy, pg. 11).

The profitability paradox refers to a firm's attempts to increase sales and market share may lead to decreased profitability. This paradox allows a firm to lower selling prices or increase costs through promotional activities to attract more consumers, which may increase sales and decrease profitability. Also, rising costs (such as labor costs, raw material costs, etc.) put pressure on profits. This paradox can affect the retail industry because retailers usually adopt similar strategies in order to increase sales, but at the same time, they may also reduce their profitability (Skelly, 2021).

The existence of the profitability paradox changes the way retailers operate. In order to maintain profitability, retailers need to pay more attention to cost control and also need to understand consumer demand better in order to determine the correct pricing strategies and promotions. For example, when faced with declining profitability, retailers must adjust their business strategies to improve efficiency and attract consumers.

Retailers must rely more on data analytics and technology innovation to improve efficiency and reduce costs. In addition, some retailers have adopted strategies such as streamlining product lines, reducing inventory, and increasing collaboration with suppliers and consumers to increase efficiency and reduce costs (Skelly, 2021).

Retail has prevailed in this shift by increasing the proportion of e-commerce and online sales, enhancing brand marketing to increase consumer loyalty, emphasizing personalized shopping experiences, supply chain management to increase efficiency, and investing in technology and innovation. Many successful retailers have adopted these strategies, such as Lululemon (The State of Retail Tech: 2021 and Beyond, n.d.).

The main cause impact of the current (2021-2023) volatility in the retail industry is due to the covid-19 epidemic and supply chain issues. The epidemic has profoundly impacted the retail sector, causing many stores to close or consumers to spend less. However, at the same time, the epidemic also accelerated the transition of the retail industry to online sales. In addition, supply chain issues on a global scale have challenged the retail industry. Also, since many retailers' supply chains depend on overseas production, global transportation, and logistics problems have led to shortages and price increases for many items. To address these issues, retailers need to enhance the sustainability and resilience of their supply chains and accelerate digital transformation to meet the challenges better ahead (Sides, 2019).

2. Why was the Caribbean Basin Initiative crucial for Reaganomics? Explain the significance 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's extradition to Paris, France? How does this relate to when he was Panama's dictator? *How does this relate to one of the current political situations in Nepal and citizen-led protests 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 program aims to provide Caribbean and Latin American countries with tax-free access to the US market to promote and stabilize the economic development of the Caribbean Basin region. The region is rich in natural resources and agriculture but cannot trade with other countries due to its relatively weak economy. Therefore, the Caribbean Basin Initiative was born. The program extends

preferential treatment for Caribbean-produced apparel products, supporting the Caribbean apparel industry by providing duty-free and quota-based restrictions. At the same time, the initial plan also encourages the balanced development of the Caribbean region to ensure mutual benefits for all countries and industries (Rosen, 2002, page 129, paragraph 2).

The Caribbean Basin is a resource-rich and agriculturally diverse region. However, given the region's relative poverty and the difficulties of trading with other countries, promoting the Caribbean Basin Initiative has become even more critical. This initiative extended preferential treatment to apparel products produced in the Caribbean, providing them with the advantage of duty-free and quota-free access and promoting balanced economic development in the region (Rosen, 2002, p. 129, para. 2). The CBI had a significant impact on Manuel Noriega, the military dictator of Panama at the time. Noriega had close ties to drug traffickers and was a significant obstacle to U.S. efforts to combat the drug trade in the region. The CBI helped isolate Noriega and weaken his ability to operate in the region. This eventually led to his ouster in 1989, a major U.S. victory in the war on drugs. (Goshko, 1988).

The opposition army, also known as the Nicaraguan Resistance Army, was a paramilitary organization supported by the U.S. government against the Sandinista government in Nicaragua. The then-president of the United States (Reagan) provided significant economic support to the opposition and helped sustain their regional operations. This controversial support led to accusations of U.S. involvement in the conflict, but it was a crucial part of Reagan's regional policy. Because at the time, Reagan wanted to restore U.S. power in the world, and providing funds and supplies to the opposition was one step in that restoration (Brown University, n.d.). This does not have much to do with Rosen's book.

The Sandinista movement is a left-wing political group that came to power in Nicaragua in 1979. The U.S. government saw the Sandinista movement as a threat to its regional interests and supported opposition forces as a counterforce. The CBI (Caribbean Basin Initiative Program) played a significant role in this strategy by providing economic incentives to countries opposed to the Sandinista movement and helping to isolate them politically and economically (United States Department of State, 2019). In the early

1980s, Central America suffered from a debt crisis that depleted the revenues of many countries, and the people experienced unemployment and poverty. At this time, the Reagan administration supported Central America and released the Caribbean Basin Initiative program. This plan was designed to help the Caribbean and Central America to upgrade their economic capabilities (Ronse, 2002, p. 131, para. 1).

Cuba's longtime leader, Fidel Castro (who served from 1959-2008), was a significant player in the region and a source of concern for the U.S. government. The CBI aims to counter Cuba's influence in the region and undermine its ability to support left-wing movements. This policy has helped to isolate Cuba politically and economically and reduce its influence in the region (Rohter, 1998). The Caribbean Basin is a region rich in resources and diverse agriculture. However, given the region's relative poverty and difficulty trading with other countries, it has become imperative to strengthen the promotion of the Caribbean Basin Initiative. (Ronse, 2002, page 131, paragraph 1).

The significance of Noriega's extradition to Paris, France, is that it marks the end of a lengthy legal battle that began with his arrest by U.S. troops in Panama in 1990. Money laundering has been imprisoned in France since 2010. His extradition to France in 2011 was a victory for the U.S. government and a significant step forward in the fight against drug trafficking and money laundering. A French court sentenced Noriega to seven years in prison but was released in 2017 due to health problems. Noriega came to power in Panama in the 1980s and was initially seen as a close ally of the United States. However, he was later accused of drug trafficking and money laundering, and the US government began to pressure him to step down. In 1989, the United States invaded Panama, and Noriega was arrested and brought to the United States for trial (Willsher, 2010).

The situation in Nepal and the citizen-led protests that led to the Brihat Nagarik Andolan (BNA) are in part linked to Noriega's extradition, as both involve the extradition of a former leader accused of wrongdoing. In the case of Nepal, the BNA is a protest movement aimed at putting pressure on the government to investigate and prosecute corrupt officials. The protests eventually led to the prime minister's resignation and the formation of a new government promising to tackle corruption. The BNA is seen as an important moment in Nepal's history as it demonstrated the power of citizens to hold

leaders accountable and demand change (Adhikari, 2014). Furthermore, the BNA period was the period when the CBI was implemented.

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 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.*

Trade policy began in the aftermath of World War II when national economies were affected to varying degrees in the aftermath of World War II. One historical example is the trade policy implemented by the United States against Japan. In the 1980s, the U.S. had a growing trade deficit with Japan, which triggered trade tensions. This led to a series of protectionist measures by the U.S. government, including imposing restrictions and tariffs on Japanese products. This also led to the liberalization theory to enable rapid development of economic globalization and liberalization of trade and investment. Trade liberalization aimed to reduce tariffs and open trade and investment markets (Rosen, 2002, Page 13, Para. 1).

The African Growth and Opportunity Act (AGOA) was passed by Congress in 1996 to promote economic growth and political reform and to improve economic relations between the United States and Africa. After the act's passage, sub-Saharan African countries began offering regulatory and tax exemptions to foreign investors. This act will promote economic development, create jobs, and reduce poverty in sub-Saharan African countries. Also, Sub-Saharan Africa has abundant labor resources that are underutilized in the manufacturing sector. Promoting the transfer and investment in the U.S. apparel industry could lead to technology transfer, industrial upgrading, and economic growth. (Rosen, 2002, Page 205, para. 2).

Hugo Chávez is the president of Venezuela who, while in office, has implemented socialist policies and taken steps to nationalize key industries, including the oil industry. However, her policies and factors, such as government corruption due to mismanagement, have also led to economic and political decline and instability in Venezuela. In addition, Chavez has maintained close ties with the anti-American regime and criticized U.S. foreign policy, which has increased tensions between Venezuela and

the United States (Council on Foreign Relations, 2022). The U.S. tried to overthrow the Chavez government and supported the opposition, leading to tensions between the two countries. In addition, Chávez had established close ties with Iran and Cuba, which also raised U.S. concerns. These events have affected U.S. foreign policy toward Venezuela (Romero, 2008).

Chilean President Pinochet was a military dictator between 1973 and 1990. He overthrew the democratically elected government of Salvador Allende through a coup d'état. Pinochet's regime was characterized by human rights violations, including the torture and killing political opponents. It was because of Pinochet's brutal leadership and human rights abuses. This led to U.S. sanctions in the 1980s but was gradually eased against Chile in later administrations. The post-Pinochet administration also faced governance challenges, affecting U.S. foreign policy toward Chile (Coad, 2006).

The incumbent Russian president is Vladimir Putin, an accurate figure on the international political scene. His actions and statements often attract global attention and impact U.S. foreign policy. He has been interfering in foreign elections, such as the 2016 U.S. presidential election, which has sparked widespread investigation and debate. This incident has led to deteriorating U.S. relations with Russia and increased vigilance against Russia. It has significantly impacted U.S. foreign policy, including imposing sanctions and cybersecurity measures against Russia (Way & Casey, 2018).

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