

BUF 4300: Global Sourcing & International Trade Policy
Final Essay Exam
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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. Be sure to cite correctly in APA within the sentence (look at Purdue Owl/ APA). Organize your thoughts. Remember grammar, punctuation & spelling count as 65% of your final examination grade. Application to current events are graded higher than answers straight from Rosen. Each essay is worth 100 points. *Add all references in APA Good Luck!*

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 use one outside source and add the link at the end of the essay? *What is causing retail flux currently (2021-2022), name two major issues and cite outside sources. How can they be resolved?* (50pts)

Department stores are where people go shopping for apparel for women and menswear, beauty products, etc. This includes United States clothing stores such as Macy's, Saks Fifth Avenue, and Century 21. Department stores were at their height for a long time but slowly began to decline. In the United States, the decline of department stores started in the early 2000s. This started after online retailing and the Great Recession happened. Online retailing changed the way consumers shop because it became more convenient and a better option. Which gave people a choice to buy clothing they wanted online rather than having to go to a physical store. According to Sanburn, "the sales for e-commerce expanded a total of 30% which retailed at \$211.5 billion" (Sanburn, 2017). This shows how successful online retailing was becoming. The Great Recession which started in 2007 was another reason for the decline. This recession had an impact on people losing their jobs, and fewer people shopping so this resulted in department stores suffering from money loss. Globally, in other countries such as Italy, England, Germany, and even the United States, the decline of department stores is due to numerous reasons. According to Thomas, the first reason is that they are not taking time or money to update their store, which includes their "flooring, and variety of clothing" (Thomas, 2018). This hurts department stores in

the end because consumers will choose to shop at places where the appearance and apparel are more up-to-date. Another factor is due to department stores not being able to compete with fast-fashion brands such as Zara, Forever 21, and H&M. This is because they do not keep up with current trends and what popular clothing people are wearing. Therefore, consumers are not going to buy their clothing because it is not contemporary. Another factor in the decline is that some brands make the choice to open a large number of stores which is not a good idea. As a result, it leads to them having to be closed because the stores are not performing effectively. For example, stores like Macy's and House of Fraser who have many stores but, have to close them because some are failing (Thomas, 2018). All these factors significantly had an impact on the department store's downfall.

The profitability paradox is when distributors sell an excess amount of products at a higher price point. For department stores, this strategy had a negative effect by resulting in a decline in their profits. According to Eeckhout, "stores sell at increased price points, as a result, this hinders invention" (Eeckhout, 2021). The issue with higher price points is that this affects not only the consumer but, the retailer as well. Another way the decline in profits, as a result, was because of high competition between other retail stores. This is because more competition equals fewer consumers which can lead to lower profits. During this time of retail instability, the industry overcame these challenges in many ways. One way is that retail stores were placing discount prices on their products. This was because during the time the stock market crashed people were lacking funds. So, as a result, the industry decided to reduce prices. This helped the retailers as well because this helped increase the funds, they were receiving from selling their products.

Currently in 2021 and 2022 retail instability is the result of the global pandemic Coronavirus which then caused more people to shop online instead of in person. The pandemic which started in 2020, had a huge impact on businesses, people's well-being, and what consumers were purchasing. This negatively affected the sales of retailers by causing a decrease. Which was due to the forced shut down in March 2020 because of businesses that were not necessary. Covid-19 also altered the way people interacted while shopping and the checkout process. This is because there were now glass barricades between the consumer and the employees at cash registers. As well as six feet standing rule between customers. There was an impact on the amount of funds these companies have in order to keep their business operating. Many brands ended up suffering from a lack of money and had to request bankruptcy or shut down their stores completely (Repko & Thomas, 2020). Department stores such as J.C Penney, J Crew, and Lord & Taylor had no choice but to close a variety of stores. Another reason for the retail instability with department stores is that many department stores are not evolving at all. E-Commerce is what is more effective today. Stores such as Sears, and JC Penney closed their physical stores because they did not have a strong online presence for consumers. To further explain, now there are online retail stores such as Amazon, eBay, Wish, and even social media websites such as Facebook has a section named "marketplace" where apparel can be sold. Therefore, people are shopping more online because the prices are cheaper, and they do not have to leave their homes. The two reasons for retail instability go together because online retailing was already how people were shopping but, after Covid-19

happened everything became strictly online. These issues can be resolved by retailers adapting to the times. This can be done by retail stores deciding to focus more on their online presence. The design of their website and focus more on making apparel items easy to find. If retailers can accomplish this, then this may help solve the retail instability.

2. Why was the Caribbean Basin Initiative crucial for Reaganomics? Explain the significance of 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*?

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 one of the somewhat recent political situations in Nepal and Citizen-led Protest that led to Brihat Nagarik Andolan (BNA)*? Please correctly cite in-text citations in APA and be sure to use outside references.

The Caribbean Basin Initiative also referred to as CBI, originated in 1984. This plan was generated to help aid economically to countries such as the Caribbean and Central America. The founder of this project was President Ronald Reagan/Reagan's administration. Reaganomics was a term "that explains as well as denounces the financial program by President Reagan" (Adomaitis, 2022). The Caribbean Basin Initiative became significant for Reaganomics due to many reasons. The first reason was that this program would be beneficial to forming stronger relationships with the nations in the Caribbean. Which would then be beneficial to the United States because trade between the countries would be easier. According to Adomaitis, "23 unconventional nations that are a part of the Caribbean Basin all established the sixth substantial export commerce of US commodities, which equals \$19 billion" (Adomaitis, 2022). This shows how important it was for the United States to have them as trading allies. Caribbean Basin Initiative also contributed to the growth of the United States fabric production. This was done by increasing the types of textiles that were shipped such as cotton and yarn.

Manuel Noriega was first a commanding officer and then an authoritarian ruler of Panama during the years 1983 to 1989. He was known for being manipulative and cruel. According to a video by New York Times, it was believed that he was collecting funds from drug cartels in order to permit drugs and money into Panama (Archibold, 2017). The issue with this was that to the public he was "against" drugs but, realistically he was a drug trafficker helping to bring them into the country. Noriega also worked heavily with the United States and even obtained finances from the CIA. The United States found him to be valuable and he used them to his advantage. Based on a video by the State of Bar of Georgia, this was done by authorizing the United States to form surveillance posts in Panama and then providing different types of weapons to the Contras for their war with the Sandinistas (State Bar of Georgia, 2020). Both the United States and Noriega benefited from one another. But the relationship between the two became strained and took a turn for the worse. In the year of 1989 in December, he ordered troops from

Panama to ambush American soldiers by firing guns, killing, and by severely assaulting them. As a result, the Bush administration became involved by starting the Operation Just Cause invasion and instructing United States soldiers to apprehend Noriega. Although he was able to hide for a short time, he was found and taken into custody. He was sent to prison for crimes that included drug trafficking, laundering cash, and racketeering.

The Contra Army consisted of soldiers who fought against the Sandinistas who are communists. Which took place in Nicaragua. The president of the United States at the time, Ronald Reagan was fascinated with the Contras and helped by assisting them. This was done by him making a confidential agreement with Iran to supply them with artillery. In exchange, Iran would orchestrate for captives to be free. At the same time, Congress brought the Boland Agreement into existence, which was created to hinder funds to Contra troops. According to a video by History, "it was believed that \$30 million was provided to Iran but, it was mostly going towards the Contras" (A & E Television Networks, 2020). This was a major issue because it would mean that President Reagan went against his word to provide assistance to terrorists. To further explain, this would also mean that Reagan did not follow the agreement between Iran and the United States. In the end, Reagan was found not guilty of the crimes committed but, other government officials. The Sandinistas was established by Jose Carlos Fonseca Amador, Silvio Mayorga, and Tomas Borge Martinez. According to an article by Simkin, the Sandinistas gained control after the displacement of the leader Anastacio Somoza (Simkin, 2020). In the year of 1989, Daniel Ortega who was the Nicaraguan president established a peace program between countries El Salvador, Costa Rica, Honduras, and Guatemala. Shortly after the presidential poll took place and the Sandinistas lost to Violeta Chamorro Ortega.

Fidel Castro was a dictator of Cuba from the years of 1959 to 2008. According to a video by Biography, in 1952 when Filancio Batista was the ruler of Cuba, Fidel Castro formed a revolt movement to conquer Batista's troops. (Biography, 2009). After this took place, he became in control of Cuba. Once Castro became the leader, the relationship between the US and Cuba was negatively affected. Two reasons were because of the strong alliance between Cuba and the Soviet Union. As stated in the journal article by Robert S. Walters, "the USSR provided a high quantity of 425,000 amounts of sugar to Cuba with the creation of the trade deal" (Walters, 1966). To further explain, the Soviet Union supplied Cuba with goods and resources they needed which benefited the country. The United States did not support this because of the Cold War where they battled against the Soviet Union with threats of nuclear weapons. Another reason for the strain on the relationship between Cuba and the United States was due to Castro's opposing views toward the United States. This resulted in the Bay of Pigs Invasion in 1961, where they executed a mission to defeat Castro. According to the CIA, this was done in three stages such as dismantling Castro's airplane which would defeat his air force by using explosives, and firearms. The second stage was when President Kennedy decided to call off the destruction of more of Castro's planes. The last stage was when the invasion took place on land and in the ocean But, this was unsuccessful because Castro was ten steps ahead of the United States and sent higher amount of troops to defeat United States troops (Central Intelligence Agency, 2016). This defeat strengthened the relationship between the Soviet Union and Cuba.

The Panama Canal is a significant canal manufactured in 1914. This canal is connected by the Pacific and the Atlantic oceans. Originally the canal was being constructed by France but, the United States ended up taking control. It is essential to the way commodities are transported globally. Both countries Panama and the United States greatly benefited from the canal. For Panama, working opportunities and wages increased. The United States financial system benefited from the canal because of the amount of goods that are sent through the canal. According to an article by The University of Alabama, they stated that “10% of United States transport goes through the canal” (Bamaa At Work, 2014). To further explain this, opened up opportunities for occupations for natives of the United States. Another country that profited from this canal was China. This was due to China utilizing the Panama Canal to ship goods to the United States.

Manuel Noriega was extradited in 2010 by the mandate of Hillary Clinton who was the Secretary of state. He was sent to France but, his wish was to be sent back to Panama. According to Phillips, the significance of him being sent to prison in France was since in the past he utilized the financial system as a way to conceal money for drugs (Phillips, 2010). He used this money to purchase lavish homes in Paris, France. As a result, he was suffering the consequences of these crimes years ago. Also, Noriega was just released from prison after serving a total of twenty years for the same exact charges. This relates to when he was the dictator of Panama for many reasons. The first reason is because of the illegal drug trafficking and working with drug cartels in order to have money and drugs in Panama. Another way it relates is because of the heavy involvement of the United States in capturing Noriega. Both times the country went to extreme lengths to ensure that he would be sent to prison. This includes sending troops, signing, and making mandates.

The events of Nepal and citizen protests have led to Brihat Nagarik Andolan issuing the indictment of Cholendra Shumsher Rana. The BNA is a political group by citizens to bring awareness to the political issues in the country. The reason BNA wants him indicted is because of situations of disputes. Protests started as a result of an endowment

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 in fact, 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?*

Rosen explains the topic of free trade and “the end of quotas and tariff reductions” (Rosen, 2002, p. 202 par.2). Trade Policy is the negotiation and mandates established by a regime that influences commerce between external countries. There have been countless times in history where trade policy was impacted by a nation’s policy objective. An example of this in history was the multilateral trade agreement named CAFTA-DR which stands for The Dominican Republic-Central American Free Trade Agreement. This trade was between multiple countries El Salvador, Guatemala, Honduras, Costa

Rica, Nicaragua, and the Dominican Republic. The enactment date for the trade agreement was extended from March 1st, 2006, to January 1st. 2009 (US Customs and Border Protection, 2019). The Central American Free Trade Agreement was known for being unsuccessful for many reasons. The first reason is that their goal was to improve the financial problems going on within these countries. But instead, they played a part in this matter. This was due to the decrease in goods being shipped overseas. According to Public Citizen, “the exports for garments that were shipped to the United States from three countries Guatemala, Honduras, and El Salvador reduced to \$1.6 billion” (Public Citizen, 2019). Which would have a massive impact on the country’s financial conditions. The second reason for the downfall of this agreement was because of the unfair treatment of workers in these different countries. According to Public Citizen, in El Salvador, Honduras, and Guatemala farmworkers were facing cruelty and removal from their homeland. Also, farmworkers became at risk of losing their jobs because of exports moving gradually and the lack of resources. As a result, the agreement assured that they would provide workers who lost their jobs with a garment factory job (Public Citizen, 2019). The problem with these jobs was the unreasonable conditions and low salaries. Which in the end would not benefit these farmworkers at all. In the Dominican Republic, laborers who worked in sugar cane fields faced conditions of working for working 12 hours daily. They also had to deal with a harmful environment that has a negative impact on their health. An article by Storr, states “an illness called CKD is affecting these workers due to the hot weather and not drinking water for prolonged periods of time” (Storr, 2017). This illness became deadly and was not conditions these workers should be not working in. Overall, CAFTA did not benefit countries much and needed improvement.

If there were negotiations were made to have US apparel manufactured in Sub Sahara, Africa trade would be affected in a positive way. First, examining the trading relationship between the United States and Sub-Saharan, Africa. The African Growth and Opportunity Act is also known as AGOA would make it possible for trade with African distributors. In an article by Meltzer, he states “the goods that are shipped to the United States improved from \$7.6 billion to \$24.8 billion” (Meltzer, 2016). Also, to expand, the United States imports by the AGOA have led to an upgrade in imports. Another factor of how this would benefit the United States is due to the unique fabrics in Africa. Which is a product the United States does not have but would contribute to the economy.

The events of the President of Venezuela Hugo Chavez, the President of Chilean, Pinochet, and Vladimir Putin of Russia affect foreign policy in the United States. In recent events, President Vladimir Putin ordered for troops to conquer Russia because his mission was to overthrow Ukraine’s government.

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Links

<https://www.youtube.com/watch?v=qQ24jmIHIUk>

<https://www.youtube.com/watch?v=eqiZQaAHM3U>

<https://www.youtube.com/watch?v=j8JUAnqdrPc>