

BUF 4300: Global Sourcing & International Trade Policy

**Final Essay Exam
Spring 2022
Dr. Adomaitis**

Nargiza Rahmatilloeva

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)

The department store industry initially declined in the United States when the economy slowed and GDP decreased. There was less demand for apparel during an economic downturn since consumers did not have as much discretionary income as they did prior to the economy slowing down. With a decreasing middle class and people's incomes falling dramatically, cheap stores began to gain popularity, becoming a key rival to department stores (Rosen, 2002, p.179, par. 0). Even today, brick-and-mortar retailers in the United States, England, Germany, and Italy are experiencing the same problems. In-store companies are failing by the day because consumers prefer e-commerce firms. Not only does buying online eliminate the need to stand in long lines or be in large crowds, but discount coupons are also more easily obtained. Because of covid-19, department shops in England have declined dramatically. England is known for its high street department stores, but with covid-19 on the rise, people avoided venturing out into stores to prevent coming into touch with the virus. Department shops in Germany, on the other hand, have decreased owing to factors such as mismanagement. In Germany department store Karstadt

is on its final legs and on the verge of extinction because the department store has ignored investing in making the physical shop more appealing to consumers and selling items in store that are customized to individuals who live nearby. According to the article, “The decline of the department store” the author states, “the Karstadt department store chain has been fumbling with one lifeline after another for years. After taking over its struggling rivals Hertie and mailorder giant Quelle in the 1990s, Karstadt went through a major restructuring before going into administration in 2009.” However, the issues confronting the once-iconic company go well beyond simple mismanagement. Department shops in general are losing momentum to more dynamic types of selling.

Similarly, department stores in Italy have declined as consumers shift from personal shopping to online shopping. People like the convenience of ordering online and returning them through shipping services. The Italian government used one of the toughest blockades in history, forcing some brick and mortar shops to close and losing millions of dollars. Others have changed their strategy to be more adaptable to meet changing demands.

Profitability was impacted by the profitability paradox since department stores increasing and getting larger than the number of retail space equaled less profit. This resulted in the increase of store space and an excess of products at merchants. Department shops struggled to maintain their probability levels and keep them steady enough to satisfy corporate owners.

Profitability paradox has altered the way merchants do business since they did what was necessary to enhance profits. This required cutting operational costs and decreasing prices to attract customers, but lowering prices meant selling in bigger volume to boost profits.

Lean retailing and sourcing from abroad are two strategies that have helped the retail business thrive. Offshore sourcing has reduced labor costs, necessitating the development of a more effective method of transporting garment products from place of manufacturing to time of sale.

According to the National Retail Federation, retail sales will expand between 6% and 8% in 2022 as consumers spend more on services rather than products to keep up with inflation. Retail companies such as Walmart, Target, and Macy's have just announced good holiday-quarter results, indicating that shoppers are still opening their wallets rather than trading down to smaller packs, private brands, and other cost-effective options. Nonetheless, all three corporations stated that value is their main priority.

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.

According to the Rose, (Rosen, 2002, p.129, par. 1) Reaganomics relied on the CBI as Reagan acknowledged the threat of communism in Latin America. The countries of Central America and the Caribbean were on the verge of becoming like Cuba. The Caribbean Initiative was a trade and investment initiative set up to promote the development and political security of Central America and the Caribbean. Based on what Rosen mentions, almost half of U.S. trade and several important minerals pass through the Panama Canal or the Gulf of Mexico” (Rosen, 2002, p. 131, item 3). Manuel Noriega was a Panamanian dictator who led the Panamanian Defense Forces from 1983 until 1989. Manuel Noriega was associated with the CIA, which allowed him to collaborate with the US. Manuel Noriega utilized his CIA rank to abuse his ties with the US and gain their favor. The Contra Army was notable because it was supported and sponsored by the United States. They were sponsored by the United States because of their anti-macro / anti-communist ideology, and they aimed to destroy the left-wing Sandinistas.

According to Rosen, the Sandinistas are an anti-counter-army organisation. They were the socialist party that ousted Anastasio Somoza Debale's tyranny in Nicaragua. The US opposed the Sandinistas because of their left-wing views, and it supported the Contra Army because it opposed the Sandinistas (Rosen, 2002, p.129, par. 1).

Fidel Castro was notable for overthrowing former Cuban tyrant Fulgencio Batista and seizing power himself. Throughout his career, he instilled a communist philosophy in the country, making Cuba an ally of the Soviet Union. This was important because the communist threat that the United States was so concerned about was in their own backyard, Latin America.

The Panama Canal was important because it could facilitate trade. The Panama Canal makes international trade much easier and more efficient as it connects the Atlantic and Pacific Oceans with larger oceans.

The importance of Noreiga's deportation to France was that his drug trafficking required him to spend time not only in the United States but also in France. This is because he was also implicated in money laundering, which took place in France. Noriega ruled Panama, and cooperated with numerous American intelligence agencies at the time who decided to dismiss the possibility that he was a drug trafficker. This is in return for an anti-communist ally in Central America. Noriega was regarded as a valuable CIA asset. In abc news, it was said that, “Noriega ruled Panama from 1983 to 1989. Before and during that time, he worked with multiple U.S. intelligence agencies who agreed to ignore allegations that he was a drug trafficker in exchange for a staunch anti-communist ally in Central America during the height of the Cold War”(ABC News Network. (n.d.)). In France, Noriega

was issued an international arrest warrant. He could face charges of money laundering with drugs. France demanded Noriega's extradition, and he was due to be released later in 2007, but was unable to do so because he was fighting for extradition.

This has to do with Nepal and the Maoist revolutionaries as the Maoist revolutionaries in Nepal started fighting the country. The Maoists do not respect democracy and, just as Noriega did in Panama, they promote terror and violence against the people of Nepal.

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?*

The Clinton administration managed to agree on a plan to liberalize the textile and clothing industry in 2000, including trade parity for CBI countries. "Congress has proposed legislation that would allow fashion companies to explore new markets in Africa. Low-wage production will also provide the textile sector with CBI capital" (Rosen, 2002, p. 205, paragraph 4). The law, including the Trade Development Act, was eventually passed after the textile sector reached an agreement with the Senate on the restrictions. The TDA has established a textile and garment trade between Africa and the United States.

Africa has just lately entered the global apparel sector as an export market for second-hand goods. Only South Africa and Mauritius have internationally competitive manufacturing facilities and have exported considerable volumes of clothing to Europe. Both nations are now taking advantage of their potential to export to the United States. "The numerous unstable and corrupt administrations, as well as the lack of infrastructure such as roads, train service, and port facilities, are inherent liabilities in dealing with African states" (Rosen, 2002, pg. 206, par. 1). The number of Africans affected by AIDS was enormous, and it was viewed as an obstacle to progress. Given these circumstances, it is uncertain if TDS will encourage clothing manufacture in Sub-Saharan Africa.

References

ABC News Network. (n.d.). ABC News. Retrieved May 19, 2022, from <https://abcnews.go.com/International/panamanian-dictator-manuel-noriegas-complex-us-ties-lessons/story?id=47722429>

D. W. (n.d.). *The decline of the Department Store: DW: 23.10.2014*. DW.COM. Retrieved May 19, 2022, from <https://www.dw.com/en/the-decline-of-the-department-store/a-18013142>

Melissa_Repko. (2022, March 15). *Retail sales will grow this year, but at a slower rate than in 2021, Major Trade Group says*. CNBC. Retrieved May 19, 2022, from <https://www.cnbc.com/2022/03/15/retail-sales-will-grow-this-year-but-at-a-slower-rate-than-in-2021-trade-group-says.html>

NRF: Homepage. National Retail Federation. (2022, May 19). Retrieved May 19, 2022, from <https://nrf.com/>

Rosen, E. I. (2002). *Making sweatshops: The globalization of the U.S. apparel industry*. Berkeley: University of California Press.