

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. Please remember paragraph structure for each answer. 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. (75pts each). Please add references of outside sources including Rosen. Matching should be less than 20% using your own words and re-writing quiz answers showing a clear understanding of the Rosen text and all quizzes review in class in details. Questions must be left on the answer sheet.

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 the both, (1) *Korean War* and (2) the Vietnam War both alter American opinions about the Vietnam? **Please cite an outside source in addition to Rosen.**

The defeat of the French at Dien Bien Phu was a significant event that marked a turning point in United States foreign policy in the American textile industry. French Indochina was a major producer of raw cotton, internationally which supplied cotton to many American competitors (Rosen 2002, pg. 41, pp. 1). During this time, the French were engaged in an active anticommunist effort in its French providence (Dien Bien Phu in Vietnam) (Rosen 2002, pg. 39, pp. 1), after the French were defeated and forced out of the region, anti-communist efforts were put in place and the United States took over cotton production. The United States supported the anticommunism approach and assisted in the defeat of communist forces (Hathcote 2004, pg. 6, pp. 1). This was a significant acquisition because it caused much more competition for American domestic textile manufacturers. This forced protectionists in America to push for higher trade barriers such as high tariffs to battle the competition. "After the Korean War, the

Eisenhower administration generated new legislation for continued support of raw cotton exports and made a stronger case for Japanese textile imports” (Rosen 2002, pg. 39, pp.3), this created conflict in American administration after the French’s defeat, tariffs did not raise despite the low wage imports, Eisenhower’s administration made this hard for loyal American protectionist (Rosen 2002, pg. 66, pp.1). As tensions rose during the Vietnam War, Americans did not have a very positive sentiment towards war within its divisiveness and controversy. Both the Vietnam and Korean War altered American opinions about Vietnam and that Americans wanted to take a more diplomatic approach and avoid more like circumstances as much as possible period. “The Vietnam War led to rising prices, sluggish growth, and stagnating wages” (Rosen 2002, pg. 113, pp.2), this exhausted the American people as America was partaking in anti-communist efforts that were depleting the domestic economy in the eyes of the American people.

- b.** Was there a true threat of communism in East Asia? Defend your answer with an understanding of both the defeat at the 38th 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 (1) *Hong Kong*, (2) *South Korea*, and (3) *Taiwan*? How did it assist in the globalization of retailing? Defend your answer **with one citation from Rosen and one (1) outside source to support your opinion. (Remember APA in-text citation).**

There was a true threat of communism rising in East Asia between the 1950s and the 1970s. The 38th parallel was the hypothetical provincial boundary line which was not far from the north of Seoul, marking a separation between the Korean state. the parallel line was created in order to separate military forces between the United States and the USSR. Soon after the division, a liberal and a social state formed between the two separated sections of Korea as we know today as North and South Korea (Chang-II 2010, pg. 22, pp. 2). Although the separation was meant to be temporary, the two states, with the Soviet Union occupying the north and the United states occupying the South, the two governments could not reconcile as this led to the Korean War when North Korea invaded South Korea. This was beginning to give communist forces a growing power, one that the United states sought to stifle.

After the Korean War devastated South Korea and Taiwan, The United States provided significant aid to each country in developing their apparel industries as a way to rebuild the country after war. The war also sparked more *anti*-communist sentiments in Hong Kong after the affects of communist regime was seen in the Korean War. Overall, the United States provided aid to these countries (Rosen, pg. 44, pp. 2). This aid helped these countries develop their textile and manufacturing industry which made them fit to become exporters of textile as well as American competition, the United States involvement and aid to these countries was considered “a successful strategy against communist aggression was forged in South Korea, Taiwan, and Hong Kong” (Rosen 2002, pg. 46, pp. 2. Sent 1). Although this aligned more countries with anti-communist agendas, it created issues in foreign competition for the US. The Multi-Fiber

Arrangement (Rosen 2002, pg. 110, pp. 3), was a trade agreement that acted as a regulator in the global textile industry by limiting exports that developed countries like the United States or Europe could take in. As the threat of international apparel manufacturer competition became apparent after the Korean War, America needed to protect itself from the increasing foreign competition. Hong Kong, South Korea and Taiwan were a part of the newly industrialized countries (NIC), countries that did *not* enjoy trade benefits such as no quotas and cheaper labor costs that nations belonging to the Association of Southeast Asian Nations (ASEAN) enjoyed (Rosen 2002, pg. 112, pp. 5). The MFA basically barred these three countries in the NIC (Taiwan, Hong Kong & South Korea) from exporting to developed countries like the United States, “They were implemented instead to slow down the rate of import growth and to moderate the flow of imports to U.S. retailers and consumers” (Rosen 2002, pg. 110, pp. 3).

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 right after WWII*? Explain your answer in detail with the understanding of Sternquist and lecture notes PP #6 as reviewed in detail in class.

After World War II, the United States and Japan were both involved in cotton production and exporting, with US taking lead on its manufacturing power. After World War II, the United States was required to help with the reconstructing of Japanese textile markets. “The U.S. military rebuilt Japan’s textile industry during the American occupation, between 1945 and 1951, in response to the goal of American foreign policy to contain communism in East Asia after the war.” (Rosen, 2002, pg.10, pp. 2). I believe the United States was in *Stage 5: The Age of High Mass Consumption* which indicates a country whose occupants have discretionary income and whose economic sectors are leading and its goods and services manufacturing (Sternquist 2012, lecture 6, pp. 20). After the allied victory after World War II, the United States was economically well off in post war conditions, so much so that they were now obligated to help reconstruct Japan. After the war, Japan had obviously returned to a lesser state what it was before the war, before the devastation. I believe Japan was in *Stage 4: The Drive to Maturity*, as they have a need to reconstruct, then transitions into Stage 5 after production begins after the alliance with US cotton industries. The devastation that occurred post war in Japan required reconstruction and aid from the United States in the form of technological development in their apparel industry. The Japanese economy takes on an international involvement once aligning themselves with the United States, making them a Stage 4 retailer after WWII (Sternquist 2012, lecture 6, pp. 17). After receiving help from the United States, Japan became a very specialized country, which exported cotton. Japan also became an important exporter of silk, as their land allowed them for specialization this application of stage five retailing can be seen in Japan with the help of the United States after World War II (Sternquist 2012, lecture 6, pp. 21).

- 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**.

One reason why the United States chose the cotton industry to trade and rebuild with Japan is because using cotton was a much more passive means of trade than trading military equipment or armistice. United States trading with hostile equipment such as guns, or industrial equipment would make wartime sentiments easier to achieve. Trading with a non-harmful product such as cotton discourages any violence that may be involved in the process.

Another reason is that the United States saw a need for cotton in Japan *and* had an overproduction of cotton in its own domestic markets. Japan relieved the pressure from the domestic markets by taking in the exports from American manufacturers. This created a stronger trade relationship for Japanese international markets after World War II. Japan also desperately needed another country to trade with, as most of their previous relationships in trade did not work out, as the captive countries that were under Japanese rule were no longer willing to trade with Japan, “with memories of World War II still fresh in their minds, the countries of the region were reluctant to establish commercial ties with their former captors” (Rosen 2002, pg.30 , pp. 2).

The last and most important reason why the Americans used the textile manufacturing industry to trade with Japan, was to secure anti-communistic relationships with Japan before a communist regime could spread any further. Japan was aligned with Chinese cotton exporters before the war, but after aligning with American interest, the Japanese began receiving its exports for cotton from the United States (Rosen 2002, pg. 28, pp.2). This strengthened Japanese and American relationships in trade, as Japan and the United States ended up involved together in the five-year Japanese revitalization program SCAP (Rosen 2002, pg. 28, pp. 3), strengthen the power of democracy across oceans.

One example of how technology sustained the cotton industry was that manufacturing equipment was developed at an even better pace, improving efficiently throughout the entire trade process. Technology for harvesting, dying and manufacturing the procedures were made efficient for production which in turn created faster production. Another way that technology can show how to sustain the cotton industry is by creating new fibers that utilize cotton in its blend. Innovations such as rayon for example acted as a substitution for animal fibers such as silk. These technological innovations in the production process of our country to make their processes more efficient, quicker, and more diverse and able to serve more exporting countries.

- c. Explain why sweatshops exist in the U.S. which is a country in the G 8 and is considered to have well-developed retailing practices. ***Why do we have sweatshops in New York, Texas, and California? Defend your answer. Be sure to answer in paragraph form.***

Although United States is a G8 country and is extremely well developed in its retailing practices, sweatshops still develop in popular states such as New York, Texas and California. Sweatshops can be defined as apparel industries that are paying extremely low or unjust wages to their apparel workers. These sweatshops violate many regulations, yet still stand to produce goods in the textile industry “. They are firms paying wages that violate federally mandated minimum wage standards as well as other employment standards set forth in the Fair Labor Standards Act.” (Rosen 2002, pg. 226. Pp. 1). The United States apparel industry used to be a healthy contender in the international market. Although they were healthy contenders in the apparel market, sweatshops were being used to produce most of the countries clothing. After the 1950s the *International Ladies Garment Workers Union* created many circumstances for garment workers which employers had to meet in order to hire these workers. The majority of the United States power producers were concentrated mostly in states like New York, New Jersey and Pennsylvania. The industry was mostly comprised of private, family-owned farms for the most part. The implementation of the apparel union demand created a gigantic impact in the United States apparel industry.

These unions were formed to protect the rights of the workers, guaranteeing them fair wages, pay vacations and even medical benefits when this was not the norm for many apparel firms the time (Rosen 2002, pg. 1, pp. 3). The triangle shirtwaist factory incident, megaphones by the use of the media at the time created prioritization in union across the entire garment industry. Like barriers to trade, there seemed to be more barriers in hiring domestic American Apparel workers. This turned away employers from American employees, as employers outsourced workers from other countries who were not unionized, and forced to work in these unsafe conditions due to their circumstances. The popularity of apparel manufacturing in the United States gradually declined as attention went elsewhere for manufacturing purposes, even in modern day, outsourcing is preferred when manufacturing apparel. Legitimate apparel manufacturing workshops in the United states gradually declined, and illegal sweatshops took their place, dodging the eyes of the law and still persisting today.

References

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- Hathcote, J. M., Rees, K., & Kind, K. (2004). War: Does It Effect US Textile And Apparel Trade?. In *International Trade and Finance Association Conference Papers* (p. 14). bepress.