

BUF 4300: Global Sourcing & International Trade Policy
Final Essay Exam
Summer 2021
Dr. Adomaitis

_____(Shaimelys Marcano)_____

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. Organize your thoughts. **Remember grammar, punctuation & spelling count as 65% of your final examination grade. Use outside sources and cite APA appropriately and add references. Split paragraphs for each questions ask and write your own thoughts except when citing in quotations. Use Purdue Owl as a reference.**

1. Why has department store business declined in the US along with department store business in England, Germany, and Italy? Please cite an outside source for these country's retail decline. How has the *profitability paradox* affected this decline in profits? How has the *profitability paradox* changed the way retailers do business in the US? List and describe at least two ways the industry has prevailed during *this time* of retail flux (instability) in the text? Please cite Rosen and one outside source. (50pts). Please cite APA.

Department stores are stores that provide customers with high quality products and stable prices. their target customers were urban middle class and upper-middle class consumers (Rosen, 2002, p. 178, par. 0). In the 1970s there was an economic stagnation which resulted in a decrease in the income of families. During this time many families who were previously considered to be members of the middle-class, dropped down to the lower class. These people could no longer afford to shop at department stores. They began to seek stores that could provide them with cheaper priced goods. This then resulted in department stores businesses to decline due to the growth of new developing markets such as off-price stores, discount stores and niche specialty stores (Rosen, 2002, p. 179, par. 1). These new markets would offer products at much lower prices than that of department stores. Many offer promotional discounts which attracted many of the customers that had previously shopped at department stores where prices remained stable.

The decline in department store business in England is due to the development of online shopping and their inability to adapt to changing demands.

In Germany there has been a decline in department stores due to a change in the marketing strategies used by retailers. The market has begun to move into specialization market segments. This new marketing strategy calls for market segmentation in which different consumers are targeted based on their consumer profiles. The market is broken into many segments to strategically market to certain groups of people. This was possible with the new stores that were emerging.

2. Why was the Caribbean Basin Initiative crucial for Reaganomics? Explain the significance of (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 more recent political situation in Nepal and the Maoist revolutionaries? Please use Rosen and outside sources to defend your answer. (50)

The Caribbean Basin Initiative known as CBI is a “trade investment program designed to promote economic development and political stability” (Rosen, 2002, p. 129, par. 1). The CBI program was established in efforts to stop the spread of communism in Latin America. CBI would also help with the reconstruction of Latin America exports to help improve employment and pull people out of poverty. According to the United States Trade Representative, The CBI economic status was to “facilitate the development of the Caribbean Basin economies by allowing beneficiary countries with duty-free access to the U.S market.” In other words, CBI helped reduce quotas and tariffs to facilitate the trade between the U.S and other countries. Beneficiary countries were countries that the U.S labeled as acceptable to allow the establishment of factories and business in Latin America. The Purpose of developing programs that would support new opportunities in the Caribbean was to help reconstruct and stabilize Latin America political and economic status. The U.S also had other underlying motives such as lower-wages available in Latin America as well as the opportunity for U.S textile producers to create a new market for textiles producers (Rosen, 2002, p. 140, par. 0). The United States export processing of Basin apparel would allow them to be able to once again compete with Asian producers.

Manuel Noriega was a military leader in Panama. As a young man Noriega went to military school and climbed his way to the top ranking military positions. He became the right-hand man of captain Omar Torrijos and supported him in overthrowing Arnulfo Arias from presidency. Torrijos then took over the Panamanian government. Under Torrijos’ ruling, Noriega was promoted to lieutenant colonel and chief of military intelligence. This title allowed him to have close ties with the U.S intelligence services and exclusive access to a lot of classified information. After Torrijos’ death, Noriega rose to power giving himself the power of General. This meant that he had power over the Panamanian government’s military forces. He was known for using extremely brutal tactics to bring about fear to make people yield to him. Noriega was involved in drug trafficking and money laundering schemes. He was extremely corrupt. The conflict that emerged between Noriega and the U.S government was that Noriega was disclosing intelligence information to the enemies/opponents of the United States. He was double

crossing the United States and other opposing countries by providing illegal weapons, military equipment, and currency to these countries.

The Contra army was a group of revolutionaries whose main purpose was to overthrow the “left-wing Sandinista government” of Nicaragua. During the Reagan administration the U.S central intelligence Agency funded and trained the Contra army. The interactions between the Reagan administration and the rebel group led to controversy. The controversy was due to the fact that the United States both armed and funded a terrorist group that wanted to overthrow the Marxist Nicaraguan government. Ronald Reagan's insistence to support the Contra army led to the Iran-Contra affair. The U.S involvement with the Contra Army was significant because the interactions between the Reagan administration and the rebel group led to controversy. The controversy was due to the fact that the United States both armed and funded a terrorist group that wanted to overthrow the Marxist Nicaraguan government.

The Sandinistas came to power when they overthrew Anastacio Somoza who had been a long-time dictator of Nicaragua in 1979. When they came to power they began to follow in similar footsteps as their previous leader. When the United States saw that the Sandinistas were just as corrupt as the previous leader they began to aid the Contra army to fight against the Sandinistas. When the Sandinistas saw that the U.S was backing the Contra Army they began to build ties with communist countries for aid.

The significance of the Panama Canal was that it provided a linkage between the Atlantic and Pacific ocean. This paved the way for faster and efficient routes for the United States international trade and military transport. The Panama canal assisted the United States military army by providing supplies at a much faster pace. The Panama Canal was in part responsible for the victory of the United States during WWII.

The United States involvement in Central America was due to the rise of communism in Cuba. When Fidel Castro came to power in Cuba, he expressed some reformation of the government and revolutionary ideals that the U.S sought as a threat to their business interest in Latin America. After many disagreements between Cuba and the U.S, Fidel Castro decided to form an alliance with the Soviet Union. He wanted to take over Latin America by encouraging revolution and imposing his communist ideals (Steinhauer, 2014). Fidel Castro wanted to wage war on the United States. The conflict between the U.S and Fidel Castro resulted from the U.S trade liberalization and expansion to the Latin America and Caribbean countries. Fidel wanted the United States to move its military forces out of Cuba. He wanted to reduce the political influence the United States had over Cuba. The United States was responsible for the Bay of Pigs. This was an attempt by the U.S government to remove Fidel from power by using Cuban exiles. This backfired on the United States resulting in hundredths of people losing their lives which further empower Castor’s political influence over the Cuban government. Initially Fidel was backed by soviet leader Nikita Khrushchev. But as things escalated during the cold war, the Soviet union did not want to go into war with the united states because they knew the united states had nuclear weapons. The Soviet Union at the time was torn between the east and west. While the West flourished due to the U.S military aid the West was

starving and dying. The Soviet Union was not ready for another war as they were facing a Civil war. Therefore, they agreed to remove missiles that had been instated in Cuba if the United States agreed to no invade Cuba. As a result the United States placed and embargo on Cuba. This Embargo was placed on Cuba by President John F. Kennedy in 1962 and is still effective to this day. This embargo restricts Cuba from exporting many products to the United States.

3. Why is China considered a major player in apparel production? How does artificially devaluing and inflating its currency (the Yuan) help China? Give two examples, one where devaluing the Yuan and one inflating the Yuan has created an advantage for China and has hurt the export/import country. Use a citation from Rosen along with an *outside source* to defend your answer. (50pts)

China is considered a major player in the apparel production because their textile and apparel industries are heavily concentrated and vertically integrated (Rosen, 2002, p. 207, par. 4). They are one of the biggest and fastest producers of cotton, silk, and man-made fiber textiles in the world (Rosen, 2002, p. 210, par. 3). China is considered one of the major exporters of textile and apparel to the United States.

China's economy depends greatly on their exporting products for the majority of their incoming revenue. They artificially devalue and inflate the Yuan to gain competitive advantages in foreign international markets (Fernandez, 2019). When China devalues the Yuan, they can lower the prices of their exports to make it cheaper for consumers to purchase Chinese products at extremely lower prices which gives them a competitive advantage. This in return causes the imports going into China to be more expensive. China continues to artificially manipulate their currency to keep their economy afloat. China artificially devalued and inflated their economy to keep control over their imports and exports. Their goal is to export as much goods as they can and push back on imports from other countries. They want to earn foreign exchange to invest in foreign markets.

An example of how depreciation of the Chinese currency benefits China and hurts the export/import country is Tourism. When China devalues the Yuan it makes the purchasing power of foreigners stronger. Therefore, more people are attracted to travel to China as a tourist destination because of their strong purchasing power and affordability. When tourists visit China, oftentimes they trade in their money to gain Chinese currency to be able to shop. This money then adds value to China's foreign exchange capabilities. As McMahon stated, "In 2017, China exported \$2.41 Trillion worth of goods, while importing \$1.54 Trillion, giving them a positive trade balance of \$870 Billion"(McMahon, 2019).

4. Discuss how (1) job loss, (2) lower wages, (3) pressure for retail profitability, and (4) trade liberalization affect an overall benefit to consumers who purchase apparel goods. Are consumers actually paying lower prices for apparel? If so, then why is *high fashion apparel so expensive*? Defend your answer with an

outside citation and be sure to include the significance of tariffs. (50pts). Discuss each job loss, lower wages, etc....each in a separate paragraph to earn credit.

Job loss affects the overall benefit to consumers on apparel goods purchased because job loss creates pressure on workers and laborers. In order to keep their jobs, laborers and workers are desperate and willing to overexert themselves in order to maintain profit. This overexertion can be seen through sales, sales draw consumers into stores which allows for some profit instead of none. Consumers benefit from sales because they can purchase goods at a lower price than the product originally was. Which further allows them to buy more of the product they desire while saving money.

Lower wages affect the overall benefit of consumers because they allow manufacturers to save on production costs and gain more profit. Manufacturers saving on production can result in more products being produced. More products means more availability for consumers. This results in consumers being able to buy goods at reasonably lower prices because the products are widespread and easy to come by.

Retail profitability affects the benefit of consumers because retailers must profit in order to maintain their stores open. Due to this, retailers may prefer to sell products at a lower margin. Selling products at a lower margin can create competition between retailers which is exemplified in predatory pricing. In which a large company lowers the price of a product in order to achieve profits. This benefits consumers because they can shop at whichever store has the lowest prices. It can also lead to retailers upgrading the quality of their products in order to attract consumers. This gives power to the consumer because they can choose which stores can profit while also saving money.

Trade liberalization affects an overall benefit to consumers who purchase apparel goods because it gives them access to a larger variety of products at much lower prices. Trade liberalization opens doors to economic growth efficiency, technological advances, and consumer welfare (Consumer Benefits from International Trade, 2015). Trade Liberalization helps stimulate the economy by giving people buying power. When people are able to afford products they will begin to purchase more products. The competition brought about trade liberation also results in the improvement of product quality to consumers. Consumers are able to access products that are much higher quality, which in return will benefit the welfare of the consumer. Trade Liberalization allows retailers to earn higher profitability.

Consumers are paying lower prices for apparel due to trade liberalization that allows consumers to get apparel at lower prices. Although consumers are paying a lower price financially, environmentally they are paying higher prices. As more and more products become available for much cheaper prices we see a rise in fast fashion trends. This affected the consumer financially because fast fashion contributes to many environmental disasters. The Second largest water pollutant in the world is caused by the fashion industry. Due to fast fashion, many products are easily produced, very affordable, and quickly discarded. In today's world fashion trends seem to change rapidly within small periods of time. People are always looking towards new and popular trends to follow.

According to the Surfrider foundation, “Because of this increasing demand on clothing, textiles suppliers are pressured to deliver to ever-tighter deadlines, encouraging irresponsible practices and side stepping environmental and human labor standards.” As a result, industries contribute to freshwater pollution with the mass production of cotton, chemical dyes/treatments, and plastic microfibers which are released into the water. Fast-fashion also contributes to the increase in greenhouse gases by the use of oil and petroleum in production of synthetic fabrics. Ultimately, the fast fashion industry contributes to a massive amount of waste. Consumers' tax money is then utilized by the government to cover the expenses that these environmental catastrophes cause.

High fashion apparel is expensive because of availability and product quality. High fashion products require more attention to details because a company must maintain its reputation for high quality goods. High fashion products are expensive because the seller explores the profitability with fashion consumers looking at the demand and design requirements. The materials in which these high fashion products are made from are high quality materials that last much longer than that of fast fashion mass produced products. Luxury products often have high tariffs which play a role in the pricing of high fashion products because an ensemble may require exotic materials such as silk, fur, and wool from a different country which results in the price of the product increasing.

5. Women have been part of the apparel work force throughout its development that has transitioned into a global entity. *Give two (2) examples in history when women’s wages were not of equal value to those work wages of another industry or her male counterpart. Please cite each outside reference. Describe how the Lowell Model has shed light on the difficulties of being a woman in a low-wage industry. Please be specific and cite Rosen (2002) (50pts).*

One example in history when women’s wages were not equal in comparison to men’s salary was during World War II (WWII). Before the war; most if not all factories, industries, or fields that provided goods and services were dominated by male workers. At the start of the war, that all changed. With a huge majority of men serving overseas, women were forced to step up especially in job areas that aided war efforts. Even with women taking over crucial jobs, they were yet to be fairly compensated. Union and even some male workers started becoming concerned and began to advocate for equal pay for women and men, as they feared they wouldn’t have a job to return to once the war was over (Alter, 2015). Men realized that if women were doing the same amount of work for less pay, factory and industry owners would keep women workers employed even after the war ended or decrease wages for male workers. After the war ended, many men returned to their jobs and the fight for equal pay began to lose momentum. When the men came back they were greeted with open arms by their previous employers. Many women were laid off and discouraged from working. This then developed segregation of salary between women and men in the workforce. Men were seen as the breadwinners of the family, Therefore they were paid wages that could support a family. Although men were considered the head of the household this changed for many families. After the second

world war, many men did not make it back home. Some women were forced to take that dominant role as the head of the household in their husbands absence. The Women however, were paid salaries that could only supplement their family income. They were paid salaries that would not be enough to sustain their way of living let alone their families (Rosen, 2002, p. 249, par. 1). Oftentimes employers would offer higher paying jobs to men and exclude the women from those conversations.

Another example in history when women's wages were not equal to those work wages of another industry or her male counterparts was the comparison of the apparel industry and the autoworkers industry. During the 1900s to present day the dominating gender in the apparel industry are female workers, while the auto workers industry is mainly dominated by men. Although these two industries are similar in how extremely labor intensive they are, workers of the auto industries make 149 percent more than that of the average annual manufacturing wages (Rosen, 2002, p. 225, par. 1). Even up until the 1960's, equal pay for male and female workers was not a top priority. An example of this was demonstrated in daily newspapers that published job listings for both men and women. In these newspaper listings, it was noted that higher level jobs were almost all the time exclusive to men. Even when there were ads for the exact same jobs in men and women categories, women's salary was different and ultimately unequal in comparison to the men's counterparts. Through the 1950s and 1960s women were paid 64 cents per every dollar that their male counterparts made on average (Rowen, 2021).

The Lowell Model has shed light on the difficulties of being a woman in a low-wage industry because it became the model for many manufacturing companies around the world that have violated and continue to violate women's rights. Under the Lowell Model, young girls and women were employed in community based factories where women had to move away from their homes and into dormitories provided by the companies that hired them. In these living spaces women were forced to endure many moral hardships. An example of this would be the women in El Salvador that work in zones that are enclosed by barbed wire and fences. The women are searched and padded down as they enter and leave these zones. Oftentimes these women work 11-20hr shifts 6 days of the week. If they refuse to work overtime they are physically abused or fired. They are also subject to random pregnancy test screenings to ensure that they are not pregnant. If found to be pregnant these women are fired on the spot (Rosen, 2002, p. 242, par. 0). This is a violation of privacy and a way to control these women. They are robbed from the opportunity to have children and control over their own bodies. These women are also denied health care and are paid extremely low wages that are not enough to cover all their living expenses. As Rosen states, "After paying bus fare to and from work, and \$57.07 per month in rent...workers are left with just \$1.08 per day" (Rosen, 2002, p. 242, par. 1). Sadly many of these women are forced to raise their children on coffee and lemonade because it is cheaper than milk. They simply cannot afford to buy it.

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