

BUF 4300: Global Sourcing & International Trade Policy
Final Essay Exam
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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. Answer each question in a separate paragraph. 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 and in-text citations. Matching must be less than 20%. Use Purdue Owl Online Writing Lab. Good Luck!

1. Why has department store business declined in the US along with department store business in *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 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? (e) *What is causing retail flux currently (2021-2023), name two major issues and cite two outside sources. How can they be resolved? (Think Critically).*

Department stores first appeared in the U.S. around the beginning of the twentieth century. According to Rosen, U.S. retail transnationals such as Federated Department Stores, the Gap, and Wal-Mart have been able to sell immense quantities of apparel. In doing this, they have been able to put larger department stores out of business. Transnationals have been competing for the retail market share and market power. Corporate retailing has also been a factor in the globalization of the textile-apparel complex. Since retailing has been able to take control over the U.S. trade liberalization, specifically in textiles and apparel, clothing stores have gained access to large supplies of low-wage imports from countries that are developing (Rosen, 2002, p. 176 - 177).

The oldest and most well-established department store industries in the world have belonged to the United Kingdom (Sternquist, 2018). Although, the United Kingdom has been able to lose 83% of its main department stores since the collapse of the BHS chain (Simpson, 2021). The BHS (British Home Stores), collapsed into administration in April 2016 as a result of the company running out of money (Partridge, 2021). The Covid-19 pandemic had also played a part in changes of

people's spending habits. As of 2023, there are 4,749 Department Stores businesses in the United Kingdom and a decline of -7% from 2022 (Ibis World, 2022).

Due to large scale, self-serve, and specialty service have been reason of the decline in Department Stores in Germany. The country's 7.2% share of the retail market had dropped 4% by 1994. The types of retailers that are succeeding in Germany are retailers that either offer low prices and self-service, or retailers that sell a full range of products with high service at higher prices. Some of these succeeding retailers are Aldi, and Douglas Department Store. The Department stores that been stuck in between those types of retailing have lost market share (Sternquist, 2018).

According to analysts, Department Stores in Italy have declined as well. As a result of this, only two department stores in Italy remain. *La Rinascente*, with only thirteen locations, is the largest, oldest, and most diversified of the retail companies along with its strong profit margins. Thirteen percent of its sales are private labels. The other Department Store, *Coin*, has thirty-five locations throughout Italy (Sternquist, 2018).

Overexpansion had made it hard for department store to maintain profitability levels that were stable for their shareholder's expectations. Levels of gross margin had decreased while sales were increasing. The failure of retail profitability could be argued that there had been excess number of stores while there was a slow-growing consumer demand. This had made it hard to maintain a sales growth that would remain steady with operating expenses. This is because efficiencies of scale had been decreasing while competition had been increasing. High operating costs challenging profitability, competition forcing retailers to reduce prices, and margins being reduced required retailers to increase sales because of the productivity paradox (Rosen, 2002, p. 188, par. 2).

The profitability paradox had changed the way retailers did business. They had been struggling to reduce operating expenses and also searching for a market share that would be greater. In order to do this, retailers began reducing labor costs, the use of new technology, strategic partnerships, private-label merchandise, and new niche-marketing techniques. Retailers that sold apparel found that they could only remain profitable by approaching a large share of a slower growing market. Some retail businesses had started to use a portfolio approach in which there would involve their businesses with other types of markets in hopes of increasing their corporate power (Rosen, 2002, p. 188 – 189).

The industry has been able to prevail during the retail flux by staying on top of trends, and keeping up with the latest technology. Traditional retailing could be successful with their ability to shape trends, forecast demand, and efficiently price goods (Petro, 2022). According to Forbes, U.S. e-commerce sales hit almost \$266 billion, which is the highest quarterly revenue in history of retail. Retail has change from in-store shopping to e-commerce and social commerce-led shopping (Sularia, 2023). When retailing is switched to being e-commerce, consumers are given more options to choose from when using the internet to look and compare products in an easier way which could then benefit the retailers.

In recent years, there have been many factors in the cause of retail flux. There has been a war between Russia and Ukraine, and a global recession. The Russia-Ukraine war has led to increase in prices such as oil and gas. Natural gas prices rose from 120

130% in the six months since the start of the war, while coal prices rose by 95-97%. This has led to increased freight charges, created container shortages and lower availability of warehousing space (GEP, 2022). The inflation that has been occurring has also affected retailers. It could lead to cash flow disruption, excess inventory, high storage costs, lower revenues and reduced margins (Korona Pos, 2022). This could be resolved when retailers involve their businesses with current trends happening in the industry which would secure the businesses chances of having more sales.

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*? Answer each in a well-detailed paragraph of their own. **Use outside sources.**

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. Be sure to show application from your knowledge of this course.

The Caribbean Basin Initiative was a new trade and investment program. It had been designed in order to promote economic development and political stability which would also inspect the spread of Soviet-Cuban impacts in the Americas. The U.S. has been involved in the military, political, and economic affairs of the Caribbean and Central America.. It also played a role in the struggle between East and West. It was supported by U.S corporate elites who were concerned about maintain a stable environment for trade and investments (Rosen, 2002, p. 128 – 129).

Manuel Noriega was a dictator, politician and military officer of Panama. Noriega has become a CIA asset in the wars between Central America. He had helped the U.S. combat Cuban and Soviet influences in the region. Although, he became wanted by the U.S. authorities for racketeering and drug trafficking. This had become one of the purposes of the United States invasion of Panama in order to overthrow Noriega (The Guardian, 2017).

The Contra Army were funded right-wing rebel groups whom were in opposition to the Marxist Sandinista Junta of National Reconstruction Government in Nicaragua. They were responsible for human rights violations and terrorist attacks. The Reagan administration engaged in a campaign of white propaganda to alter public opinion in favor of the Contra Army because of their support. The U.S. had showed their support by giving the Contra Army financial and military support. The U.S. had banned the support, but the Reagan administration continued its support, which led to illegal activities which led to the Iran-Contra affair (History.com Editors, 2020).

The Sandinista National Liberation Front is a socialist political party in Nicaragua. The U.S. had seen the Sandinistas as a threat to economic interests of American corporations in Nicaragua and to national security. President Reagan had signed off a document that was top secret which gave the Central Intelligence Agency the

power to recruit and support a 500-man force of Nicaraguan rebels to conduct covert actions against the Sandinistas (History.com Editors, 2020). Reagan had also directed the CIA to develop a plan to stop arms from Nicaragua to rebels in El Salvador. The Reagan administration believed that the Sandinistas were instruments for the Soviet Union.

Fidel Castro was the leader of Cuba from 1959 – 2008. Cuba had become a one-party communist state under his administration. He had formed Cuba into the first communist state in the Western Hemisphere. He would become known as a symbol of communist revolution in Latin America (Britannica, 2023). While other islands in the Caribbean were promised trade benefits as part of a regional Caribbean Basin Initiative, around 6,000 U.S. troops had invaded Grenada in order to throw out Cuban forces (Rohter, 1998).

The Panama Canal was controlled by the U.S., who built the canal, from 1914 – 1979. It is a constructed waterway that connects the Atlantic and Pacific oceans. Although, in 1979, control of the canal passed to the Panama Canal Commission which was a joint agency of the U.S. and the Republic of Panama (Britannica, 2023). Its significance is that it has helped in faster transportation across the canal. Ships traveling between the east and west coast of the American continents were forced to go around Cape Horn in South America before the canal was built. In doing this, ships would travel a 8,000 nautical miles longer than what it would take going across the canal.

Noriega had been extradited from the U.S. to France when he was convicted in absentia of laundering money from Colombian drug gangs (BBC, 2011). This relates back to the time when he was a dictator of Panama because of his involvement in drug-trafficking during the early 1980s.

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? Use three (3) additional outside sources. Answer each in a separate paragraph.*

Trade policy has affected a country’s political agenda in 1996 when Congress had introduced the African Growth and Opportunity act. President Clinton had approved of the new trade move, making in 1997 announced the Comprehensive Trade and Development Policy for Countries in Africa. By doing this, it has established an advisory panel that inspired more investments in Africa. This helped create an equity and investment funds under the Overseas Private Investment Corporation (Rosen, 2002, p. 204).

U.S. retailers and importers had been represented by the International Mass Retail Association in order to develop sub-Saharan Africa’s competitive position with Asia. Their goal was to make African countries into new low-wage start-up sites for apparel assembly. The ATMI and their apparel customers resisted the bill. They claimed that

China had been using African countries as bases for illegal transshipments of apparel that were meant for the U.S. market (Rosen, 2002, p. 206).

Hugo Chavez wanted to center Venezuelan's foreign policy on Latin American economic and social integration by authorizing bilateral trade and reciprocal aid agreements. He had also made the Latin American integration the focus of his administration's foreign policy. The Latin American Integration Association's goal is to maintain economic cooperating with its members such as Argentina, Chile, and Paraguay. ALADI had been responsible for creating more flexible but limited role of supporting free trade (Britannica, 2009).

The government under Chilean President Pinochet had focused on economic liberalization, privatization of state owned companies and stabilization of inflation. An initiation of privatization, revising previously introduced tariff increases had been made under the government in 1985. Pinochet set a free-market reforms that would attempt to stop inflation and collage in 1975. By the early 80s, Chile would be the most affected of lose in what is known as the Latin American debt crisis. Chile has an advanced financial policy regime in which includes floating exchange rate, inflation targeting, and a government budget rule (SGI, 2022).

On March 31, 2023, Vladimir Putin had issued a new foreign policy concept. Putin's policy intents to confront the United States and its allies (Blomberg News, 2023). Russia intends to strengthen ties with the People's Republic of China by the signing of the Treaty of Friendship, and by building the Trans-Siberian oil pipeline which would aid in Chinese energy needs.

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