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Sanchez Electronics Devices Case Study

Mr. Sanchez specialized in making a tool useful for making personalized computer identification tags. He specialized in this product because he worked for 20 years as an engineer and manager in a factory in Dearborn, Michigan. He made this tool for personalized computer ID tags because there are millions of computers in the world and since most of them look alike, these tags help distinguish each individual computer. He also sold this product because he is very familiar with the world of electronics and the process of assembly in a factory setting.

One example of specialization in the global context is the import and export of goods between China and America. Since the cost of materials and labor in China is cheap, the U.S.A. buys these goods for cheap and then re-sells them in America for extra profit. For example, the popular shoe brand Jordans are made overseas in China for approximately $16.25 (includes material and labor cost), but they retail from $100-$200 in the United States. China, and much of East Asia, is known for manufacturing many goods, ranging all the way from clothing and shoes to electronics such as the iPhone and Android cell phones. On the western hemisphere of the world, Latin and South America are known for specializing in the agriculture of certain fruits and vegetables like bananas and apples. Historically, the United States and England used to be the main countries that led industrialization because they were known for starting the Industrial Revolution, where mass amounts of goods were made through advanced technology, like the steam engine or the cotton gin. Much of these changes back in the late 1800’s still continue into the 21st century. The world as a whole practices commercial trade and agriculture, where goods are made and sold in bulks to provide for the world, much like the relationship between China and the United States. Technology is becoming more and more advanced and it makes sense for countries to compete with each other to have the best global economy. The global economy is driven by the trade dependency of different countries on each other. The assembly of electronic products in East Asia would be considered a recent specialization for many adults nowadays, but for teenagers and children of Generation X, the era of Apple products and Androids have been around for much of their lives.

After Mr. Sanchez realized how well his business was doing for the first couple of years, he raised the pay for his workers. Mr. Sanchez did not take into consideration what his business would be like when the recession ended. Mr. Sanchez created a product that was greatly beneficial to the world of modern computers. This was a very wise decision because as stated earlier, personalized computer ID tags help distinguish each computer and nowadays, computers are needed in the workforce and in many schools. At first, no other country could match the quality of Mr. Sanchez’s product or the service he provided. He made the mistake of not updating the quality of his product and coming out with newer versions. The fact that Mr. Sanchez sold his product overseas meant that other countries would try to compete with his product. It would’ve been smart for Mr. Sanchez to try to work on a newer version of the product, so by the time other countries caught up to the model of his original product, he would’ve made an advancement already. His sales started to drop rapidly because Indian and Japanese businesses started to match the quality of his product and it was no longer inexpensive. By this time, it was too late to make any advancement to the product. Mr. Sanchez got lucky when the government forced importers that tried to import copies of his product to pay a tax on the items that they brought into the United States. After a couple years, the government decided that the tariffs raised the cost of the devices made overseas and businesses like Mr. Sanchez’ weren’t producing enough goods, so the government removed the tariff.

If Mr. Sanchez knew that the tariff was going to be removed, or that it was only temporary, he would’ve been able to update his product so the other countries and competitors wouldn’t have been able to compete with him, and he would’ve stayed in the lead. Also, it would’ve helped Mr. Sanchez to know how long the recession was going to last. If he knew when the economy would be back to normal again, he would’ve known beforehand how much product to make and what to sell it for.   
 Mr. Sanchez exported his product to Japan and India. The main advantage of relying heavily on exports is that the product would be exposed to the world and therefore, the product would sell on a mass scale. The disadvantage to relying heavily on exports is that when a product gets a lot of exposure to the world, there are many people who want to duplicate the product or make better versions; in other words, it creates competition. For example, the U.S. is a mass consumer of oil from the Middle East. If the U.S. were to stop buying oil from them, then the U.S. economy would fall apart and so would the economies of those countries in the Middle East. As mentioned before, the global economy depends on trade dependency of different countries on each other. If one country’s economy falls apart, it will create a domino effect and the world will go into a depression, just like the 1930’s. This is why the U.S. wants to find a more efficient, cheaper source of fuel (like ethanol) that could be used instead of spending a lot of money and hurting the environment. That way, the U.S. doesn’t have to use its own oil reserves and a lot of money could be saved.

Countries like Japan and India tried to import products that were similar to Mr. Sanchez’ product, but they were unable to because the government had put a tariff on imported products. After the tariff was removed, Mr. Sanchez realized that he couldn’t make enough goods at the same rate he used to, so people stopped buying his product and started to buy it from producers in other countries. This caused Mr. Sanchez to close his factory in Cleveland and move to Jaurez, Mexico. The majority of products in our community is imported, from appliances, shoes, clothing, electronic, etc. In modern culture, a lot of luxury items are imported from other countries, like certain cars, shoes, or clothing. The value of these items are more solely based on the fact that they are luxury, and then some because they were imported. Certain imported goods could influence cultural diffusion. For example, Prada is a designer company based in Italy that exports its products to countries all around the world. If one person is seen with a Prada product, then soon more and more people are going to want to buy from Prada, therefore influencing a population into implementing Prada in their culture.   
The exchange rate when Mr. Sanchez first started was with a weak dollar, meaning people would get more goods for their money overseas. Overtime, the value of the dollar went up, meaning now, people had to pay more for their product. This meant that Mr. Sanchez had to sell his product for more, but by that time, no one wanted to buy from him because there were other competitors who made and sold the products for cheap. If other Latin American countries were to make the U.S. dollar their currency, there would be a lot of inflation, meaning a lot of U.S. dollars would be printed. The dollar is the highest weighted currency, which means goods that used to be affordable in Latin America would become more expensive. A rapid devaluation of a currency means that people would have to pay more if their currency is weak and less if their currency is strong. A rapid devaluation would also cause another world depression, much like the devaluation of Germany’s currency did to the world in the 1920’s.   
 A tariff on imported goods put in place by the government initially helped Mr. Sanchez with his business by keeping competition away. After the barrier was removed, other competitors were able to sell products similar to Mr. Sanchez’ in the United States. All of the oil that is imported from other countries is taxed before it comes in. A barrier based on communication, trust, and reluctance to import U.S. products is when two countries who will trade certain items because they are friends. A formal trade barrier is when the world knows two certain countries don’t trade with each other, like Cuba and the U.S. or North Korea and the U.S. If a trade barrier were to be removed, trade would not be regulated. For example, guns and ammunition could be traded without certain trade barriers prohibiting them.   
 The goals of Mr. Sanchez opening his factory were to make the tool necessary in making the personalized computer ID tags. By doing this, he was able to make a substantial profit by selling his product overseas.   
 Recent presidential administrations have supported the removal of some trade barriers by openly trading with more and more countries. NAFTA was originally a free trade agreement between Canada, the United States, and Mexico. There was a lot of public opposition because people in the U.S. were losing jobs due to the fact that a lot of people wanted to move to Canada and Mexico for employment. According to Huffington Post, “…a significant jump in pollution can be linked to NAFTA, with greenhouse gas emissions in the region increasing from 7 billion metric tons in 1990 to about 8.3 billion in 2005.” On the official World Trade Organization website, it states, “In February 1996, the WTO General Council set up a single committee to oversee all regional trade agreements, replacing separate working parties, each dealing with a separate agreement, including NAFTA. The Regional Trade Agreements Committee has developed procedures to examine the agreements, including compiling information. These procedures are for assessing whether each agreement is consistent with WTO provisions. However, divergent positions continue to be expressed on issues such as the primacy of the multilateral trading system and the negative effect regional agreements can have on other countries.”

Work Cited

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