



Universidad
Tecmilenio®



International Business Management

Primary sector in Europe

Week 10



Mental activity focused on tenderness

Before you begin, do the following mental activity that will help you to improve your concentration.

<https://youtu.be/liPwm62dbxU>



In this tenth week, you will explore the economics sectors of Europe, as well as each one's components and their relationship with every country in the whole continent. Also, you will define which industry is related to which sector of the union economy.



Since the foundation of the European Coal and Steel Community in 1951, it has been clear that the primary sector of the economy plays an important role for most European countries. Although this continent saw a big push for industrialization earlier than any other region in the world, they soon understood that without food or natural resources it was not possible to sustain it. Nowadays, the EU has developed a highly-modernized primary sector that has spread overseas with European based agribusiness taking their technology and know-how to other countries.



One can notice the importance of agriculture just by looking at the current **subsidies**. In the last 5 decades, for instance, the EU Common Agricultural Policy (**CAP**) has spent over a half the total EU budget in subsidies and strategic investments.

In fact, the products that can ultimately make it to the European supermarkets are found most likely in the exotic category (and very expensive). There is plenty of room for growth in this sector, as Europeans are good travelers and try new things from different countries, including Mexico. Subsidies are recently in a downward trend.



The mining sector is also a route to expansion, looking for new business opportunities mainly in Eastern Europe and Africa. However, the same sustainability concern about agriculture is being expressed towards the mining industry, where unusual associations and special long-term projects are aimed at making the best out of the activity without seriously compromising the future exploitation of resources.

Information about the extraction industry in Europe is still scarce, and it seems like new regulations that oblige companies to report their earnings has not shown any results yet. However, it is remarkable that there is a trend towards more transparency that companies doing business in Europe should consider.



As the European primary sector becomes more specialized, it is now spreading onto other countries to fund new business start-ups that use better technology. There is a new trend of sustainable supply chains where global companies share common commercial interests with small-scale farmers to ensure a supply of raw materials soon.

Mexican businesses can benefit from technology transfer into Mexico and special programs designed to protect the environment as means to foster a sustainable development and to recover damaged areas because of overexploitation of natural resources.



Reflect on what you have learned and answer the following activity:

Research and read environmental rules and policies in a European country of your choice.

- Are these regulations a limitation or an opportunity to do business there? Shall Mexico adopt some of these same policies? Why or why not?



International Business Management

Secondary sector in Europe

Week 10



The capitalist model in Europe has resulted in a deep, progressive economic specialization since the 18th century, in particular because of manufacturing industries whose technologies gave life to different eras. In the construction industry, for instance, which today accounts for only 16% of the EU GDP, the objective is to make it 20% by the year 2020 with ten major fields of action.

- Introduce stronger competitiveness-proofing and fitness checks.
- Ensure more coherent EU policy-making.
- Ensure EU legislation boosts the industry's ability to innovate to remain ahead of competitors.
- Seek greater international policy alignment to avoid technical barriers to trade.
- Reduce the administrative burden of complying with EU legislation.
- Complete the internal market.
- Ensure fair competition through better market surveillance.
- Invest massively in infrastructure.
- Deepen partnerships for a skilled workforce.
- Promote free access to foreign markets.



Europe's reason for pursuing a very competitive manufacturing industry is the multiplier effect that it could have on other sectors of the economy.

Although Central and Eastern Europe are experiencing different kinds of momentum, both regions are forming along with Germany the engine that is driving Europe's economic growth. Both regions are surging as a source of cheap labor force for manufacturing, and as a growing market for a wide range of products because of their young and productive population. Nevertheless, they remain macro-economically weak and lack better infrastructure.



Electronics is another industry that is attracting higher investments in Central and Eastern Europe, mainly because of cheap labor costs (again). Hungary, Czech Republic, Poland and Slovakia are major poles of development for this industry, all of them being former Soviet republics not long ago.

With the expansion of the European Union, came along more support for infrastructure development and a big institutional push for a reliable legal framework, for new members to always follow EU directives.



But not everything is manufactured in Europe, of course. Many products and services are imported from the rest of the world, such as industrial machinery, vehicles, aircraft, plastics, crude oil, chemicals, textiles, metals, foodstuffs, and clothing. Moreover, trade with third parties in the EU has also brought some serious demands from their local industries and consumers. While there are strict directives and regulations for European based industries, foreign companies may not have such restrictions. Consumers are in general environmentally aware and care a lot about a company's reputation. That is why recent cases of processed food products are in the spotlight because they use massively imported agricultural goods from China where tight European controls do not exist, so this creates a health concern, besides the fact that their national industries are seriously affected, if not eliminated. Consumers, on the other hand, want to know where the food comes from. Trade with the EU should take all of this into consideration.



On the other hand, the main European exports and the countries where they are manufactured are the following:

- **Automobiles** – France, Italy, UK, Germany, Czech Republic, Spain
- **Fashion** – Italy, France, and other western European countries
- **Aircraft** – France and Germany
- **Machinery** – The entire continent
- **Electronics** – Italy, The Netherlands, Germany
- **Food products such as wine, beer, cheeses and chocolates** – Western Europe
- **Pharmaceuticals** – Switzerland
- **Military equipment** – UK, France, Italy, Germany, Russia
- **Industrial chemicals** – Most countries

Reflect on what you have learned and answer the following activity:

Research about different analysis of the manufacturing industry in the [Eurostat report](#).

- What does that data mean for Mexican businesses?
- In what industries would it be difficult for a Mexican company to compete with Europe?
- In what industries would it be easier to collaborate? Share and compare your comments with your classmates.



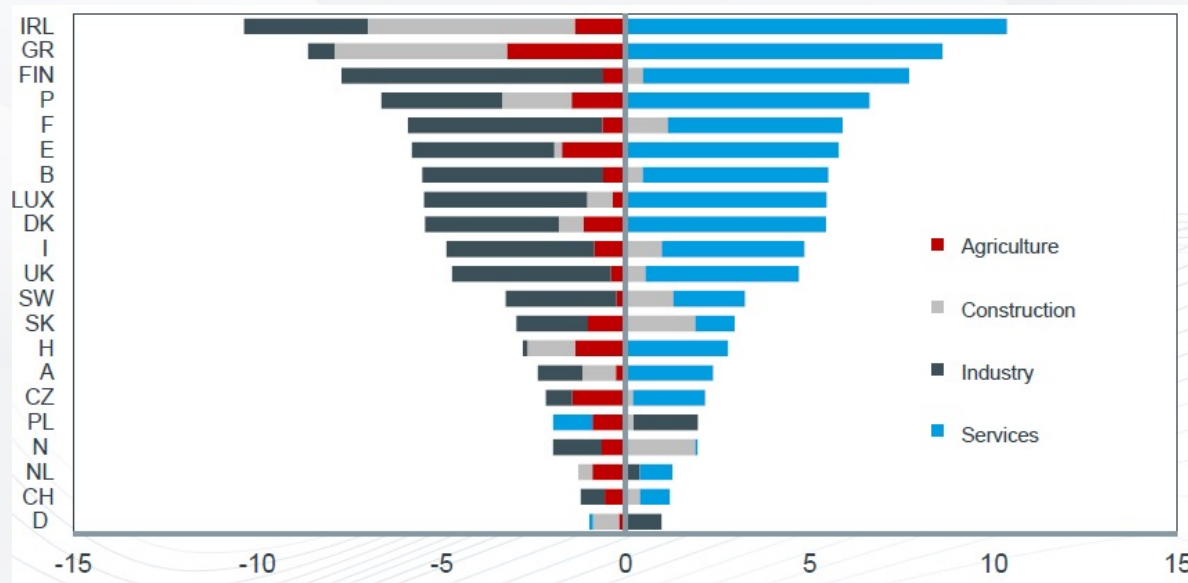
International Business Management

Tertiary sector in Europe

Week 10



Europe's services sector receives important incentives, mainly because it is the main source of employment and economic growth across the region. Among the three sectors, the third one is the most significant, so there is no wonder why Europe has the largest tourism industry in the world. Here we will address some hot topics related to the tertiary sector, and we will walk you through the analysis of a handful of the most strategic industries, such as tourism and transportation.



European Commission. (2013). Industrial competitiveness of EU member states: some progress made, but many challenges still lay ahead. Retrieved from https://ec.europa.eu/commission/presscorner/detail/en/MEMO_13_816

Employment rate in the tertiary sector is also the highest across Europe, which is typical of a developed economy, but higher than the world's average by almost 30%. One reason behind these figures might be a constant and intense transfer of manufacturing jobs abroad, and a proactive promotion of innovation jobs for a mature market that urgently needs new ideas. This kind of promotion includes many incentives given by local governments, most of them focusing on the lean and innovative start-up economy.



Logistics (i.e., transport and storage) accounts for 10-15% of the cost of a finished product for European companies. Therefore, improvements in the industry can bring important savings on final prices for consumers, or even higher revenues for the companies. On average, 13.2% of every household's budget is spent on transportation goods and services, as opposed to the 50% spent on average by a family in Mexico City.



Other relevant sector analysis are focused on **tourism**, where Western Europe is and has always been the number one destination in the world for tourism purposes. Researcher Astrid Krenz found that the countries more specialized in tourism are Spain, Portugal, and Greece. On the other hand, the United Kingdom, Ireland and Germany are more concentrated in financial services, while the Northern countries of Scandinavia tend to focus more on health and social services.



Reflect on what you have learned and answer the following activity:

Work in pairs and choose two European countries and compare the following information.

- Service sector employment rate
- Household spending
- GDP share
- Number of SE's, and investment in innovation (R&D)

Finally, establish different attractive industries based on your findings.



In this tenth week, we have learned that for many years, the manufacturing impetus helped to create a strong service-related industry by selling their machines all over the world and technical support services linked to it. So, no wonder why the European Union is betting so much on deep innovation closely related to the one that rendered outstanding results in the past. Again, Central and Eastern Europe represent closer growing markets where the Mexican experience with similar economies can surely be an asset.

