



**Universidad  
Tecnológico**



# International Business Management

Economic Poles in Europe

Week 11





## Mental Activity Focused on Gratitude

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

<https://youtu.be/C2J0ldXHrwg>



In this eleventh week you will explore how economic poles in Europe are very well communicated and have created a complex network of cities and large metropolis. Remember that the economic regions that we reviewed and potential new ones where economies of scale and better infrastructure are likely to be present to boost businesses. Nevertheless, setbacks such as the case of Ukraine and the immigration crisis may also offer good opportunities when dealing with difficult times creatively.





# Explanation

The countries of Western Europe and the United States have dominated world trade and investment flows for many decades now, but are these countries still the most attractive in the world? Well, it depends on who you ask, but politics and economics can certainly tell us something.



Western Europe remains as a very competitive bloc with a radial network of large cities well connected by roads, railways, air and inland waterways, with a high-tech communication infrastructure and mature industry clusters that facilitate enough supply and the creation of economies of scale.

Although some local regions remain isolated or economically marginal, most of them do benefit directly from international trade and investments. Sometimes culture and history also play a role, like the case of the mezzogiorno (southern Italy), which remains economically isolated from the prosperous North, nearby Switzerland and Germany.





But what is on the Eastern side? In general, we can find highly-centralized poor countries with large metropolitan capital cities. A few examples of this are Warsaw in Poland, Bucharest in Romania, Prague in the Czech Republic, Moscow and St. Petersburg in Russia, Kiev in Ukraine, Budapest in Hungary, and Istanbul in Turkey. All these rich cities are still close enough to each other, with massive airports and excellent transportation and communication facilities.



Ukraine and Russia were having a very dynamic positive relationship until the economic sanctions against Russia were imposed. That event has affected surrounding smaller economies that also depend on the Russian economy, like Moldova. The Russian annexation of Crimea showed that the region remains vulnerable to political unrest to perform the economic reforms necessary to progress. The situation has worsened with countermeasures taken by Russian authorities, like the controversial food ban.





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

Eastern Europe has had trouble reintegrating and competing with Western Europe after leaving the Soviet bloc.

The ambassador of the Czech republic to the EU, Martin Povejšil, has claimed that “Living standards in many former soviet countries are worse today than they were 25 years ago.”

- What is your opinion?



# International Business Management

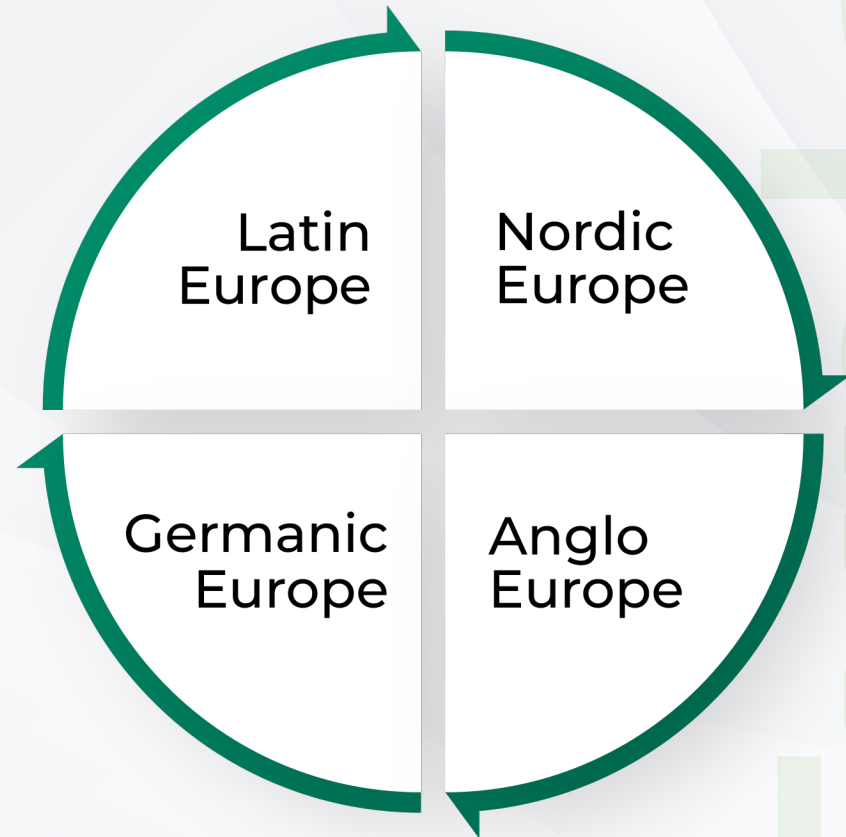
Cultural Diversity in Europe

Week 11





Beware: Europe is a very plural and culturally diverse continent. Although it might look quite picturesque, it does not make things any easier. Just remember that both World Wars took place in Europe. There are historical rivalries among the many different cultures contained in **the European identity** that are evident even for tourists and other travelers. Now, let's build on what the GLOBE Project suggests for Europe: a continent that is culturally divided into five regions.



# Explanation

Nordic Europe includes countries like Finland, Sweden, Denmark, Estonia, Latvia, Lithuania and the Netherlands. This group of countries, also known as Scandinavia, strongly believes that everyone should give their opinion, even though this consensus process takes more time and effort. Their societies strive for a work-life balance with plenty of time for recreational activities, the family, or anything that they enjoy doing. Of course, they enjoy outdoor activities and there should be no business meetings after 4:00 pm on Thursday and 2:00 pm on Friday. They enjoy several days off work, and it is very common to work from home or handling a couple of part time jobs.



The area defined as Anglo Europe basically consists of the United Kingdom and Ireland. Of course, they always prefer to do business in the English language, and that is possible since English is almost the universal language for business. They tend to conduct themselves in a formal way, so it is always a good idea to stay business-focused. As reserved as they are, it is easy to avoid direct conflict and complains. Remember that they may seem unemotional and sophisticated, which also impacts their sense of humor.





Germanic Europe includes the countries of Austria, Germany and the Eastern part of Switzerland (Zürich). They are well known for being hardworking, reserved, methodical, and precise (in particular with time). Detail in planning and project implementation is always welcome. As individuals, they are not spontaneous, and very private with their own lives instead. They tend to conduct themselves in a formal way, so it is always a good idea to stay business-focused. As reserved as they are, it is easy to avoid direct conflict and complains. Remember that they may seem unemotional and sophisticated, which also impacts their sense of humor.



The 'Latin' part means, as expected, that their languages are Latin derived. Punctuality and formality are not as tight as it is in the previous regions. Their societies tend to be more stratified and most of the people consider themselves Catholic, although religion does not play a major role in business, besides adding holidays to the calendar.





**Separatist movements** are such an important pending issue for some multinational countries: extensive cultural groups of people feel more like a nation of their own, therefore, not belonging to the central government they are subjected to. All they want is to have their own rules and total independence, arguing that they are mistreated in some way by the overwhelming ruling majority. Think of the Catalans and the Scots.



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

As much as we want to understand cultural diversity and classify Europe in regions, there is a lot of cultural diversity within one same country. In Spain alone, there are five co-official languages, and many other unofficial languages and varieties.

People from Catalonia feel very different from the rest of Spain. Therefore, answer the following question:

- Should they be granted independence?





# International Business Management

Primary Sector in Asia

Week 11



Along with the extraordinary economic development that the region has seen in the last decades, the agriculture sector has also been modernized, thriving despite the increasing net migration from farmland to urban centers.

In particular, agriculture's appeal has risen as a direct response to an increasing middle-class demanding better quality food products. In addition, the demand of the manufacturing sector for raw materials is likely to increase for them to meet domestic market needs and fulfill their exports activity.

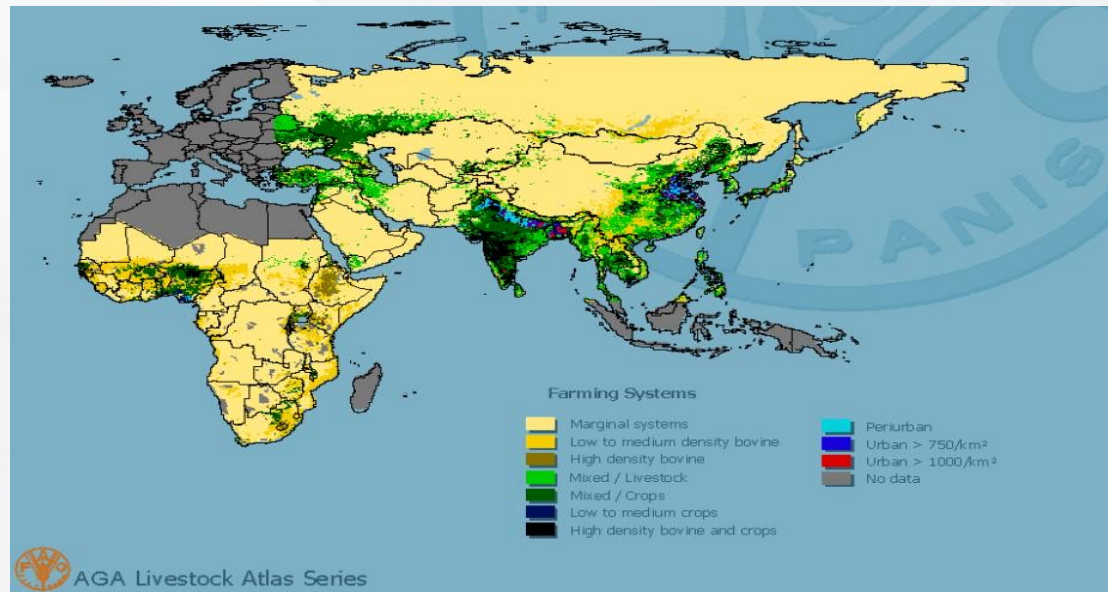
Having the greatest share of land on Earth, this continent absolutely has a lot of activity in the primary sector. Yet, as big as it can be, it still needs resources from other regions. Asia is breaking through with new paradigms we are just about to discover..





One of them is the domestic migration from the countryside to the ever-growing urban centers, with the consequent immediate reduction in poverty rates, but overshadowed by claims that their environmental regulations are too weak to ensure a sustainable development. Asia must address these worries sooner than later.

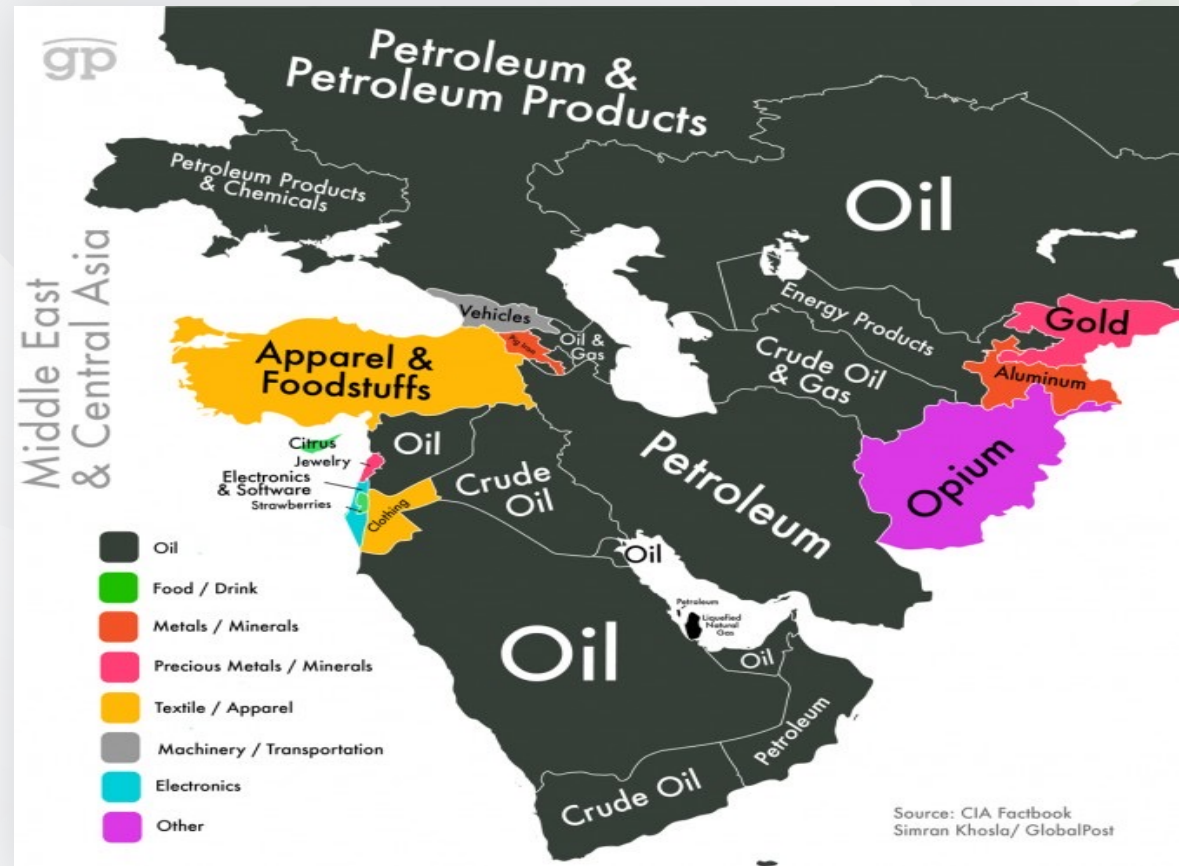
This map shows the most important farming systems in Asia:



Catsg. (n.d). Farming system.

Retrieved from [http://www.catsg.org/cheetah/07\\_map-centre/7\\_1\\_entire-range/thematic-maps/major\\_farming\\_system.jpg](http://www.catsg.org/cheetah/07_map-centre/7_1_entire-range/thematic-maps/major_farming_system.jpg)

Across the Middle East and the whole Central Asia for that matter, there is an evident dependency on oil, fossil fuels and other energy-related exports. Energy is a strategic industry, and the way-too-many conflicts created because of it underscore that.



Khosla, S. (2014). This map shows which exports makes your country the most money. Global Post Public Radio International. Retrieved from <https://www.pri.org/stories/2014-05-14/map-shows-which-export-makes-your-country-most-money>



The primary sector has rapidly been transformed in the last decade, with the rise of the manufacturing activity. Yet, the geographic area comprising Pakistan, India, Bangladesh, Cambodia, Vietnam and southern China still have rice cultivation as their main economic activity with traditional techniques. The importance of the primary sector, obviously, varies from country to country. It comes all way from 0% in Singapore to up to more than 40% in Burma. Singapore, therefore, is the single most competitive country in Southeast Asia that relies on mostly raw materials imports, just like Japan. So, if there is something Mexico can sell to these two countries, it is certainly food and other raw materials.



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

1. Why does the percentage of commodity exports in total trade figures is more important than the number of jobs in the industry and primary sector imports?
2. What can it say about potential new business opportunities?





# International Business Management

Secondary Sector in Asia

Week 11



Asia is the manufacturing center of the world. The incredible growth this sector has seen in the last decades has no comparison at all. As a result, this drive has meant a huge appetite for raw materials and an intense pressure to improve services.

The main criticism to China, in fact, is precisely that its service sector is still very immature.

In the coming years, we will see a well-developed manufacturing sector in Asian emerging economies rather focusing on innovative supply chains and connecting with better supporting services, eventually creating the competitive advantage they missed in the past because of simple, cheap labor force.





Little by little, China is leaving behind its famous labor-intensive manufacturing industries (a.k.a. sweatshops), to instead concentrate in more added-value industries with higher technological components. As a matter of fact, it is intermediate-goods and not consumer-goods that has fueled export growth in Asia, such a key element for production integration in the region. That same figure is rather small for Latin American countries, but more significant for the United States. Therefore, Mexico can succeed in this field by integrating its companies in the production chain with Asian companies already in the territory or willing to come.



Not only China, but Russia as well, has become an attractive market for industries like textiles, an important case for exporters in India, Vietnam, Bangladesh, Thailand, and Indonesia. This has brought the Eurasian Economic Union to sign a free-trade agreement with Vietnam, opening the possibilities to expand trade relations with the ASEAN. For context, there is fierce competition going on to meet Russia's huge demand for cheap garments, as neighboring smaller countries are also betting on the industry.





Nonetheless, there are still many other good opportunities for Western businesses. Nestlé, for example, is a multinational company that has successfully entered the Asian bottled water market with a strong presence in China and Indonesia, after signing a partnership with Coca-Cola. Their strategy was intended to reinforce its international market share in the seventh largest market of the world at the time.

To cash in these opportunities, businesses must adapt their offers to the Asian market, considering not only cultural differences, but also regulations and local distribution channels. In the short term, imports in China are suffering as well as exports with a more expensive Yuan; so, what the Chinese want it is to give some advantage to their own local companies in order to fill the soaring internal demand. This is exactly what is happening to the automotive industry: foreign investors are being attracted to East Asia to produce and sell locally.



The level of local integration should be an ideal to follow in the Americas, where the richest countries keep on looking elsewhere ignoring local advantages. Just like China has done it, their primary export market is Asia, then the rest of the world. That impetus has helped to create integrated value chains with higher added-value, making the region much more competitive as a whole.





# Activity

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

Watch the following two videos about changes in Chinese consumers.

- Bloomberg. (2015, September 22). Chinese Consumer's Changing Tastes [Video file]. Retrieved from <https://youtu.be/IJvm9uWgPY4>
- GQ. (2015, January 5). Luxury Shopping in China When the Sky's the Limit – GQ [Video file]. Retrieved from <https://youtu.be/u0fvKGIIdMv4>

Discuss the following with your classmates:

- How is a change in consumer behavior also a change in culture?
- What values and meaning does the Chinese culture attribute to specific goods and services?
- Why is it important to understand this when doing business?



In this eleventh week we have learned how Asia has become the manufacturing center of the world. Its level of integration has remained high and visible in investment trends and intermediate goods trade. Asia has mastered the processes of supply chain added-value and are inching towards cutting-edge innovation. On the other hand, the opportunities that Mexican businesses can exploit in this sector should be focused in complementing the Asian supply chains in order to reach the American market from another point. Yet, the Asian market for manufactured products might also prove attractive to Mexican companies because of its exploding numbers.

