



Universidad
Tecmilenio®



International Business Management

Tertiary sector in Asia

Week 12



Breathe

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

https://youtu.be/_hSq87FzoIY



In this last week, you will explore how Asia has a booming service sector fueled by their dynamic secondary sector. Business opportunities arise in services in all directions, as the region is vying to close the gap that separates them from developed countries. But the region is far from being uniform, so the opportunities depend on the country we talk about and its industry.



Explanation

As a friendly reminder, though, there are good economic opportunities in every single industry you can think of. Education is another challenging industry that needs to be addressed in order to build a better workforce and to cover other needs of this hungry market. Tech education has a higher demand, since it is fully required for the enhancement of innovation and competitiveness.



Hence, the importance of multilateral cooperation agreements, joint infrastructure developments, mirrored deregulation efforts, and a much-needed push for the modernization of the tertiary sector (including education).

Many European and American services companies are already present in the region with a phenomenal success, from renowned consulting firms to hi-tech companies serving the manufacturing boom happening across Asia.

Following the successful pattern of **specialization** applied in a handful of manufacturing strategic sectors, Asian countries are trying to do the same with the service industry.



Explanation

Being the greatest exporting region in the world, also means having the busiest ports and the most efficient logistics practices. Singapore, for instance, is already a global trading hub, Asia's largest hub for base metals, oil, iron ore and coal, and the most important trading hub for grains, palm oil and sugar in the whole Pacific region. In addition, Singapore has become the ultimate cluster of global financial services, competing directly with those behemoths in Hong Kong, London and New York City.



The digital industry has also been a total surprise, with China creating its own version of the Internet by developing Chinese versions of every single popular app there is in the West (but cheaper). On that regard, it is evident that the Chinese government is aware of the strategic value of the information shared on the Internet, so they want to protect and regulate it as much as possible. In fact, government regulation of the web was crucial to reach the level of success they have achieved, but it is likely to relax as the economy becomes more mature and protectionism starts to be a true hassle for businesses.

Activity

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

Make a list of Asian entertainment products that you currently have access to in your country through local streaming or cable services.

- Where were they created?
- Who created them?
- Who translated them to your language?
- Who made them available in your location?



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Economic poles in Asia

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Asia is characterized by having developed industrial clusters in specialized areas to produce certain goods; almost every country in Asia supported this policy somehow.

On this regard, China is a completely different world on its own. It is so big that each city and subregion has a particular industrial cluster where important competitors do not hesitate to share suppliers seeking to create successful economies of scale.



Being such a huge piece of land with a dynamic economy, there are several attractive economic areas to focus on. It is not surprising that the most developed Asian cities are also at the top of the most competitive countries in the world: Singapore (2), Japan (6), and Hong Kong (7). These are inspirational examples for other cities to follow, that despite their size, better infrastructure and services could improve dramatically their competitiveness and the life standards of their own citizens. But there is also another story, however, like what is going on in Dhaka, despite it being a mega-city, it is one of the poorest, as you can see in the videos in the resources section.



China, Japan, South Korea and ASEAN countries remain the most dynamic economic regions in Asia. They are well connected and, as mentioned before, their intra-trade is intense with special export-processing zones across their territories.

Inside the boundaries of the ASEAN, there is the Batam Free Trade Zone (Singapore and Indonesia), the Southern Regional Industrial Estate (Thailand), the Tanjung Emas Export Processing Zone (Indonesia), the Port Klang Free Zone (Malaysia), the Thilawa Special Economic Zone (Myanmar), and the Tan Thuan Export Processing Zone (Vietnam).



Asia has followed a development pattern that combines the cluster principle, so called Keiretsu in Japan or Chaebols in South Korea, with supply chain specialization across countries. The core industrial development center keeps the highest value-added activities of the value chain and delegates the rest to cheaper locations. There must be a deep understanding of the mechanics in this model because when a cluster has reached a certain level of maturity, it will inevitably start to decline. That is the right time to introduce incentives for innovation and new synergies to go to a next level or change the industry.



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

Use the [WEF interactive Competitive Ranking Report](#) to rank countries according to infrastructure (second pillar).

- Pay attention to the top 10 countries in Asia and the Pacific: Singapore, Japan, Hong Kong, Taiwan, New Zealand, Malaysia, Australia, Korea, China and Thailand. Compare their ranking in specific indicators.
- Make a graph where you place each of the 10 countries and correlate two indicators, for example, infrastructure in the X-axis and GCI in the Y-axis.



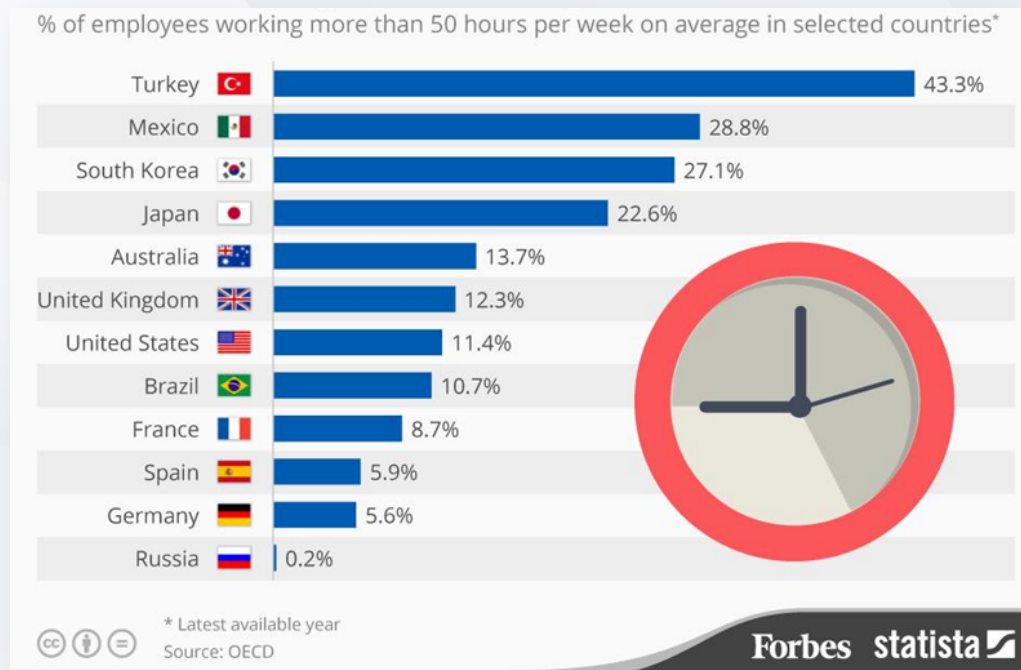
International Business Management

Cultural diversity in Asia

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It sounds cliché, but Asia is such a very different world. Their culture is full of alternative ways of doing the very same thing. Their hard-work attitude has absolutely made a difference in the advancement of their economies, pieced together with their ability to work as a community, where the majorities set up goals and everyone else must align themselves in order to accomplish those objectives.



McCarthy, N. (2015). The Countries Where People Are Working 50 Hours Plus [Infographic]. Retrieved from <https://www.forbes.com/sites/niallmccarthy/2015/02/17/the-countries-where-people-are-working-50-hours-plus-infographic/#6a3a3997a7e3>

Nevertheless, nowadays, we can observe that values in Asia are changing with the overall economic growth they have achieved. Chinese new rich, for instance, are embracing those consumption patterns of the West, purchasing their products (including luxury), looking for certain symbols to show off their newly acquired status at any cost, even when their traditional values would advise measure and conservation of resources. Strict discipline is something that has always made the Japanese and their neighbors proud. Asians are motivated and work very hard, but they also enjoy cultivating good social relationships.



One curious example of the changing attitudes in the upscale Chinese culture blond Caucasian foreigners are “rented” to create a "natural" international environment in prime real estate buildings that will seem attractive for wealthy Chinese. This controversial practice is also seen in restaurants and private schools, where Western-like foreigners are hired to entice new clients and invite them in. “The image has become the reality”, as The New York Times dubbed it.



Now you can find a wide array of literature about the myriad of Asian cultures, and even though they may share some features and one common ground, they also have important cultural differences that make it dangerous to try fitting them all in one single generalization. This is particularly influential in a business setting.

Central Asia has been a buffer zone between Europe and Asia for a very long time, leveraging their Muslim presence and their peripheral location against the recent economic boom that East Asia has experienced. Then there is India, with a millennial culture that has successfully portrayed itself as a powerful emerging economy in the region, rivaling Russia and Hinduism is more than a religion.



Activity

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

Use the [WEF interactive Competitive Ranking Report](#) to rank countries according to infrastructure (second pillar).

1. Review the indicators that have to do with culture.
 - Ethics and corruption
 - Primary education
 - Higher education
2. Pay attention to where the top 10 countries in Asia and the Pacific (Singapore, Japan, Hong Kong, Taiwan, New Zealand, Malaysia, Australia, Korea, China and Thailand) rank in those indicators. How do you think these cultural indicators are?



In this last week, we have learned some major cultural characteristics of the Asian culture, very different to the cultural environment in Europe we saw in the previous module, but still evolving and surprising the world.

Now we know that there is no single Asian culture, but there are many living in relative harmony despite their different religious beliefs and ethnic origins. Therefore, when doing business with Asians, you must take care of your reputation, work hard, create relationships, and cheer up your Asian partner!

