



Universidad
Tecmilenio®



International Business Management

Secondary sector in the
US and Canada

Week 6



Breath counting meditation

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

https://youtu.be/dq_U-RxkcFY



In this sixth week, you will explore the components of secondary and tertiary sectors in the US and Canada. Moreover, you will get a better understanding about Economic Poles of these countries.

To begin with, think about the following questions.

- a) How can you evaluate if a city has a well-developed primary, secondary, or tertiary sector?
- b) How do governments decide which industry to support?
- c) What are the different roles of government, investors, and businesspeople in developing a city's industries?



The secondary sector, also known as manufacturing, has played an important role in the development of the North American economy. In this lesson, we will take a good look into it, considering its current trends and different perspectives.

Talking about North America, employment numbers in manufacturing has been decreasing steadily, while the numbers at services industry (tertiary sector) is on the rise. Yet, manufacturing remains being the key to prosperity. Technological advance is by itself the main driver of economic growth, and even services rely on manufactured/processed goods most of the time.



This industrial sector, based on the manufacturing of goods, currently represents 19.5% of the United States GDP, and about 28.4% of Canada's. Both countries possess a highly developed industrial sector, with the United States leading the consumer goods industry in several subsectors.

Appliances

Toys

Furniture
and home
furnishings

Recreational
boats
and vehicles

Motorcycles

Games

Gifts

Greeting cards

School and
office products

Jewelry

Sporting goods

Musical
instruments

Processed foods and beverages
(including water, juices, beer, wine, spirits, and all non-alcoholic beverages).

Many Americans also blame the many free-trade agreements, too. In their view, those agreements have obliged the manufacturing firms to move overseas or South of the border, causing a loss of five million jobs and creating a new wave of protectionism around the country that might hinder international business (arguably).

Economic Policy Institute. (2015). United States trade in top 30 exporting industries, ranked by value of exports, 2013 (billion of dollars).

Retrieved from <https://www.epi.org/files/charts/img/48.png>

United States trade in top 30 exporting industries, ranked by value of exports, 2013 (billions of dollars)

HS industry code	HS industry description	Exports	Imports	Trade balance	Import ratio
88	Aircraft, spacecraft, and parts thereof (ap)	\$115.4	\$29.3	\$86.1	25.4%
2710	Oils, petroleum, bituminous, distillates, except crude	111.8	88.8	23.0	79.4%
8703	Motor vehicles for transport of persons (except buses) (mp)	57.1	155.7	-98.6	272.5%
8708	Parts and accessories for motor vehicles (mp)	42.9	58.9	-15.9	137.1%
8542	Electronic integrated circuits and microassemblies (e)	34.5	29.5	5.1	85.3%
7108	Gold, unwrought, semimanufactured, powder form (c)	32.1	14.7	17.4	45.7%
8517	Electric apparatus for line telephony, telegraphy (e)	31.2	89.9	-58.7	287.9%
8471	Automatic data processing machines (computers) (e)	26.5	83.1	-56.6	313.5%
9018	Instruments, etc. for medical, surgical, dental, etc.	25.2	18.1	7.2	71.6%
3004	Medicaments, therapeutic, prophylactic use, in dosage	23.1	47.1	-24.0	204.2%
1201	Soya beans (c)	21.5	0.8	20.7	3.7%
8704	Motor vehicles for the transport of goods (mp)	15.7	18.4	-2.7	117.4%
2711	Petroleum gases and other gaseous hydrocarbons	12.5	15.1	-2.6	120.4%
8431	Parts for use with lifting, moving machinery	12.1	8.0	4.1	66.0%
8481	Faucets, stopcocks, valves for pipes, tanks, boilers, etc.	11.7	14.1	-2.4	120.8%
3002	Blood, antisera, vaccines, toxins, and cultures	11.6	11.0	0.6	95.1%
2701	Coal, briquettes, ovoids etc., made from coal (c)	11.2	0.8	10.4	7.1%
1001	Wheat and meslin (c)	10.5	1.1	9.5	10.3%
8411	Turbo-jets, turbo-propellers/other gas turbine engine (ap)	9.9	19.8	-9.9	199.5%
8544	Insulated wire and cable, optical fiber cable	9.8	17.3	-7.5	176.7%
8413	Pumps for liquids	9.7	10.1	-0.4	103.6%
9021	Orthopedic appliances	9.7	9.7	0.0	100.0%
8486	Machines and apparatus of a kind used solely or principally for the manufacture of semiconductor boules or wafers, semiconductor devices, electronic integrated circuits, or flat panel displays	9.1	5.9	3.2	65.0%
8421	Liquid, gas centrifuges, filtering, purifying machines	8.7	7.2	1.4	83.6%
9027	Equipment for physical and chemical analysis	8.4	5.3	3.0	63.7%
8414	Air, vacuum pumps, compressors, ventilating fans, etc.	8.1	9.4	-1.3	115.9%
3901	Polymers of ethylene, in primary forms	8.0	4.4	3.6	54.5%
7204	Ferrous waste or scrap, ingots, or iron or steel	7.6	1.5	6.1	19.8%
802	Nuts except coconut, brazil, and cashew, fresh or dried (c)	7.1	0.5	6.6	7.5%
1005	Maize (corn) (c)	6.9	1.7	5.2	24.6%
Total of top 30 exporting industries		709.8	777.2	-67.4	109.5%
Total goods trade		1,578.0	2,328.3	-750.3	
Top 30 exporting industries as a share of total goods trade		45.0%	33.4%	9.0%	

Note: Sectors include aircraft and parts (ap), motor vehicles and parts (mp), electronics (e), and commodities (c). The abbreviation "nes" in industry descriptions refers to "not elsewhere specified." Sector and overall totals in the text may vary slightly due to rounding.

Source: Author's analysis of UN Comtrade (2015)

Economic Policy Institute

When selecting a foreign location or bringing a foreign firm into our country, you need to pay attention to **possible economies of scale, technology** and **quality control**, as much as the **target market closeness**. Fortunately, both in the US and Canada, there is a good deal of programmatic support to create smart supply chains, strategic industry clusters, and boost regional economies (even in the borderlands). On this regard, you may explore different clusters for several manufacturing industries in the United States and in Canada.



As an international business manager, you always must keep an eye on international labor issues. Managing an international workforce in North America can prove challenging, with a self-awareness that their productivity is higher and thinking of themselves as good enough to be more independent. There is little literature on the topic, unfortunately, but it is not a minor situation for a Mexican company to deal with. Despite this, Cemex, Bimbo, América Móvil, Lala, and Gruma are a few of the many Mexican companies that already invested in the United States, as the Wilson Center explores in a recent report.



Activity

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

Research and reflect on the following questions.

- In what industries would it be difficult for a Mexican company to compete with the US or Canada?
- In what industries would it be easier to collaborate?

Share and compare your comments with your classmates.



International Business Management

Tertiary sector in
the US and Canada

Week 6



As opposed to the secondary sector, the tertiary sector is growing. In the United States, twice as many people are employed in services than in manufacturing. Many industries that are not in the services sector are adding value to their goods and products through services. In their offer to customers, they bundle together combinations of goods and services. The following charts illustrate the cumulative growth of the manufacturing and services industries, in terms of employment.

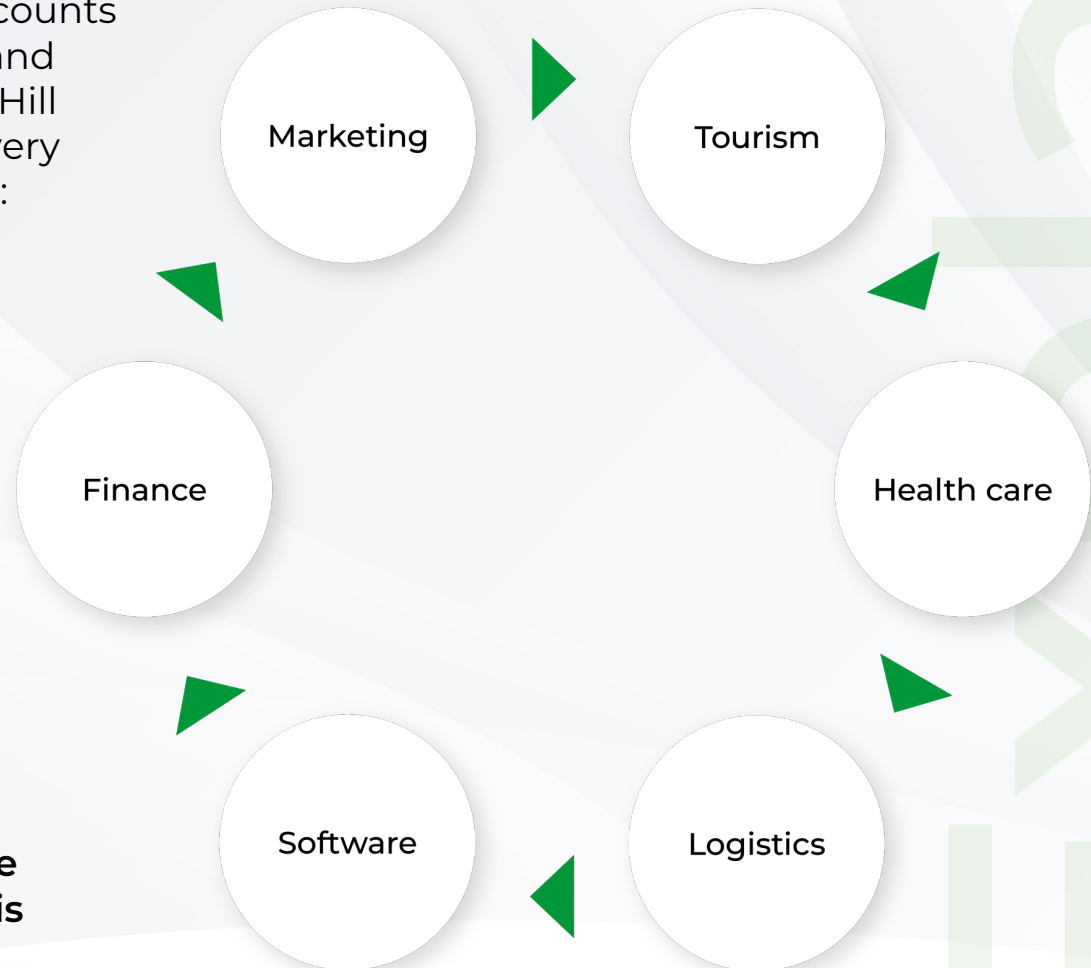


Talking about North America, the most important sector for the local economies is, by far, the services industry. Over the last decades, this dynamic sector has grown steadily as manufacturing is being transferred to other countries, such as China and Mexico. Here, we will investigate the numbers and main characteristics of the tertiary sector, so we could figure out more possibilities for international business.



Explanation

The service sector currently accounts for 79.4% in the United States and 69.9% in Canada. According to Hill (2014), they both have several very competitive industries, such as:



In addition, the services industry is the one that employs the most people, in both countries, and **women are more likely to have a job in this sector.**

In Canada, 95% of the firms are rather small, with less than 50 employees (public administration as the only exception). Business services in Canadian metropolitan areas account for the highest growth rate and share of new jobs. **Finance and insurance, wholesale trade, real estate** and rental, and **health care** and **social assistance** are industries with a growth rate of at least 3% within the last months. In the United States, 9 out of 10 jobs belongs in the services industry. Therefore, **what is true for Canada is even more for the US**, where hospitality and food services had the highest share of jobs as of May 2013. Thus, opportunities for Mexican companies can be found there, by offering joint services in both sides of the border.



Activity

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

Think of one manufactured good that you have acquired recently.

What services were involved in your acquisition of it? What services were bundled with it?

For example, if you bought a phone, who provides your telephone services? If you bought a piece of furniture, who transported it to your home? Did it require installation? Does the warranty include a reparation service?

Make a list of all the ways that a service business added value to the manufactured product.



International Business Management

Economic poles in the
US and Canada

Week 6



Industrial clusters are usually located in a specific geographical area (deemed strategic), and they may be part of either a broad regional economy or just a local economy. In both cases, there are shared benefits for the community where they operate. There are plenty of studies about this issue in North America, such as the [clustermapping.us](#) project developed by the Harvard Business School, that shows an open-data project indexed by the so-called **megaregions**, allowing investments to be funneled in the right direction. Tools like that one can give a quick glance at the many regional and local needs across the US and Canada, and a clearer picture of their business structure. This information is pure gold for those Mexican companies looking for the right location to start or expand a business.



Explanation

The main economic activity used to be manufacturing, but that changed upon the arrival of the information age. Yet, countless corporations, banks and financial firms, cultural institutions and global organizations have established their headquarters in that region. On the Canadian side, Montreal is the second-largest city in that country with an important paper and pulp industry, and hydroelectric power generation.



On the West Coast, we can notice that the state of **California** **comprises two megaregions**: one in the North, anchored in the Bay area, also including the cities of Sacramento, San Francisco and San José (Silicon Valley); and one in Southern California that includes the greater Los Angeles region and the metropolitan cities of Las Vegas and San Diego (and Tijuana, by natural extension.)



Up north, in Canada, Vancouver has one-third of its residents from Asian origin. It is the Asian gateway to Canada, with the busiest port of the country. Other growing industries there are feature films, biotechnology, and software. The Canadian government is also aware of the dynamics that surround economic clusters, so local governments are supporting them to create supply chains and boost innovation in strategic sectors for the benefit of the whole national economy.



Activity

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

Look at the megaregion maps of the United States. You will notice most of the megaregions are either in the coast or in the borders. What happens in the heartland?

Research the characteristics of the heartland region of the United States of America. Research the characteristics of the heartland region of the United States of America by visiting the following website: https://heartlandeindhoven.nl/info_EN.php

Reflect on the following questions.

What do cities in rural and suburban areas of the United States have in common?

How is the lifestyle in Middle America compatible with Trump's politics?

How true are the stereotypes?

Share your findings and opinion with your classmates.



In this week, we have learned about the main difference between the secondary and the tertiary sector in the US and Canada. We also analyzed the economic poles. Finally, we went through the different megaregions and geographic areas of the United States and Canada where the most important clusters are either already located or in development. When searching a high-ROI location, looking at geographical clusters can help a lot to spot local needs for industrial goods required in the supply chain.

