

Chapter 2

Global Marketplaces and Business Centers Part 2

Learning objectives

Previous Lecture

At the end of this lesson, you should be able to:

2.1 Describe North America as a major marketplace and business center in the world economy.

2.2 Describe Western Europe as a major marketplace and business center in the world economy.

2.3 Analyze the role of Eastern Europe and Central Asia in the world economy.

Learning objectives

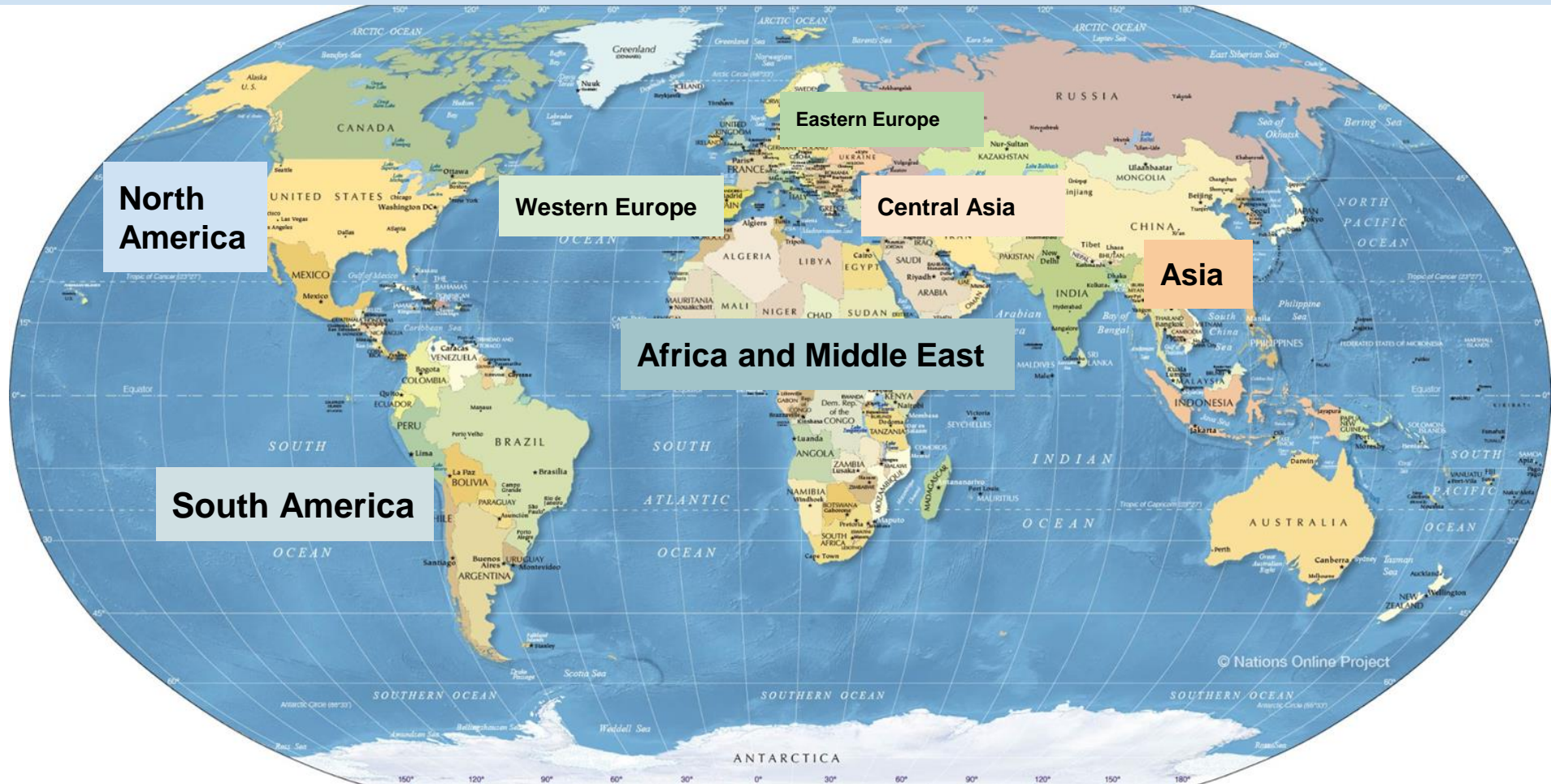
THIS WEEK

2.4 Discuss Asia as a major marketplace and business center in the world economy.

2.5 Assess the development challenges facing African and Middle Eastern countries.

2.6 Evaluate the economic prospects of the South American countries

Where are the world's market and Business centers?



Markets in Asia



The Marketplaces of Asia

- More than 50% live in Asia
- Produces only $\frac{1}{3}$ of world GDP
- Source of both high-quality and low-quality products
- Source of both skilled and unskilled labor
- Major destination for foreign investments by MNC s
- Major supplier of capital to non-Asian countries
- Aggressive and efficient entrepreneurs - Chinese, Japanese, Korean, Indians, Thai, Indonesian

The Marketplaces of Asia: Japan

- One of the **world's economic superpowers**
- Japan's economic success
 - Partnership between MITI (Ministry International Trade and Industry) and **Keiretsu**
 - **Sogo shosha**
- Japan's challenges
 - Slow economic growth in the 1990s
 - Adjustments to changes in the the world economy
 - Trade practices
 - Growing demographic crisis

The Marketplaces of Asia (2 of 2)

Australia

- Rich in natural resources
- Relatively small workforce
- Merchandise exports
 - 17% of its 2017 GDP
 - Natural resource industries
 - Land-intensive agricultural goods

New Zealand

- Greater reliance on market-based policies
- Exports
 - 18% of its 2017 G D P (\$206b)
 - Extensive pasture lands
 - Dairy products, meat, wool
 - Australia, China, Japan, and US - buys more than 50%

The Marketplaces of Asia: The Four Tigers

- Pacific Asia is one of the world's most rapidly industrializing regions
- **South Korea, Taiwan, Singapore, and Hong Kong**
 - The “Four Tigers”
 - The newly industrialized countries (NICs)
 - The newly industrialized economies (NIEs)
 - “Emerging Markets”

The Marketplaces of Asia: The Four Tigers: South Korea

- One of the world's fastest-growing economies
- Merchandise exports accounted for 37% of its 2017 GDP
- Tight cooperation between the government and large conglomerates
- **Chaebol:** Samsung, Hyundai, Daewoo Group, and LG

The Marketplaces of Asia: The Four Tigers: Taiwan

- One of the world's fastest-growing economies
- Reliance on family-owned private businesses
- Reliance on export-oriented trade policies
- Exports accounted for 63% of its 2017 GDP

The Marketplaces of Asia: The Four Tigers: Singapore

- Thrives on re-exporting
 - Exports accounted for 166% of its 2017 GDP
 - Excellent port facilities
- Center for oil refining
- Sophisticated communications and financial services
- High-technology center

The Marketplaces of Asia: The Four Tigers: Hong Kong

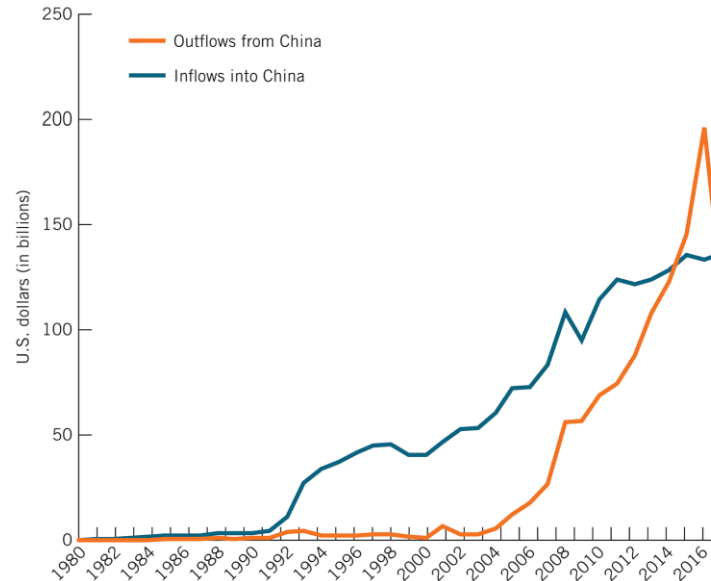
- Enjoys a fair degree of autonomy
- Attractive to international businesses
 - Deep, sheltered harbor
 - Entry point to mainland China
 - Highly educated, highly productive labor
 - Banking and financial services
- Reexporter
 - Exports accounted for 161% of its 2017 GDP

The Marketplaces of Asia: China (1 of 2)

- Mixed system
 - Communist Party-led state
 - Market-oriented economic policies
- Vibrant economy
 - Grew 10.9% a year from 2000 to 2009
 - FDI in China has exploded since 1992
 - Urbanization
 - China's outbound FDI has skyrocketed since 2005

The Marketplaces of Asia: China (2 of 2)

Figure 2.3 China's Inward and Outward Foreign Direct Investment Flows, Annual, 1980–2017



Source: Based on United Nations Conference for Trade and Development Database.

The Marketplaces of Asia: India

- One of the poorest countries
- British Influence
- 1991 market-opening reforms
 - Reduced trade barriers
 - Opened the doors to increased FDI
 - Modernized the country's financial sector
- Challenges
 - Corruption is widespread
 - Infrastructure is overburdened
 - Red Tape

The Marketplaces of Asia: **Southeast Asia**

- Promising records of economic development
- Thailand, Malaysia, and Indonesia
 - Low labor costs
 - Recipients of significant FDI
- Vietnam
 - Becoming important to MNCs
 - Inexpensive, young, and trainable workforce

The Marketplaces of Africa & the Middle East: Africa

- European Colonial influence
- Commodities
- Agriculture
- South Africa: The continent's growth engine

The Marketplaces of Africa & the Middle East:

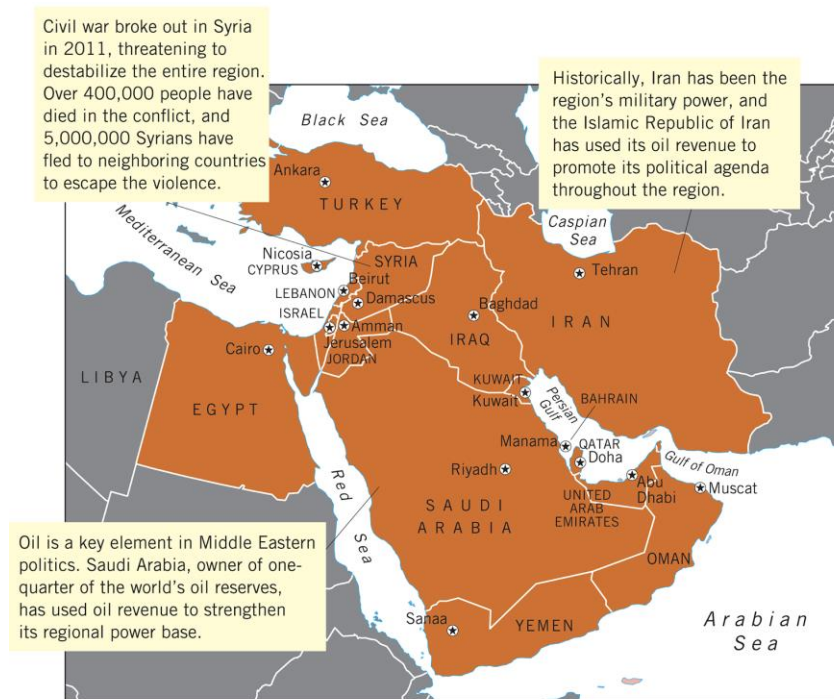
Middle East (1 of 2)

- “Cradle of Civilization”
- History of conflict and political unrest
- Home to many oil-rich countries
- Diversification: “Life After Oil”

The Marketplaces of Africa & the Middle East:

Middle East (2 of 2)

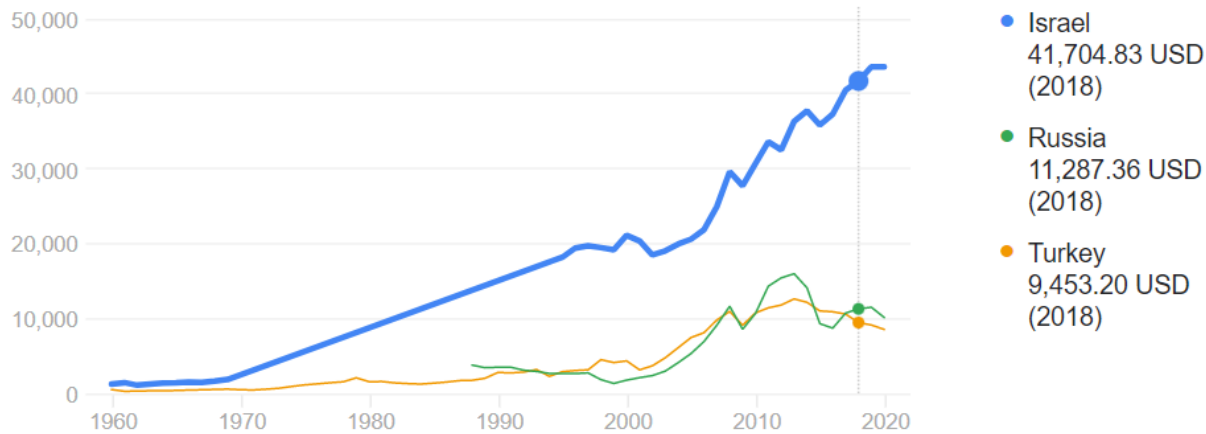
Map 2.7 The Middle East



Vision 2030 is a unique transformative economic and social reform blueprint that is opening **Saudi Arabia** up to the world.

Israel / GDP per capita

43,610.52 USD (2020)



Israel

<https://www.britannica.com/place/Israel/Economy>

The Marketplaces of South America (1 of 2)

- Common political, social, and economic history
- Huge income disparities
- Widespread poverty
- Political instability
- Destructive **import substitution policies**
- Reversed import substitution policies in the late 1980s
- Economic boom during the 1990s

The Marketplaces of South America (2 of 2)

Map 2.8 South America



Review Questions

- Describe how the Mexican economy has developed in this millennium.
- How do differences in income levels and income distribution among countries affect international businesses?
- **What role did MITI serve in the Japanese economy?**
- **What is a keiretsu?**
- **What role has re-exporting played in the economies of Singapore and Hong Kong?**
 - Explain the terms glasnost and perestroika.
 - Discuss the role of the *canals of commerce* in international trade.
- **What are the consequences of South American countries' dependence on commodities and raw materials?**