

**SAXION**

# International Business

I. The international context:  
A case study

II. The economy of the 21st  
century

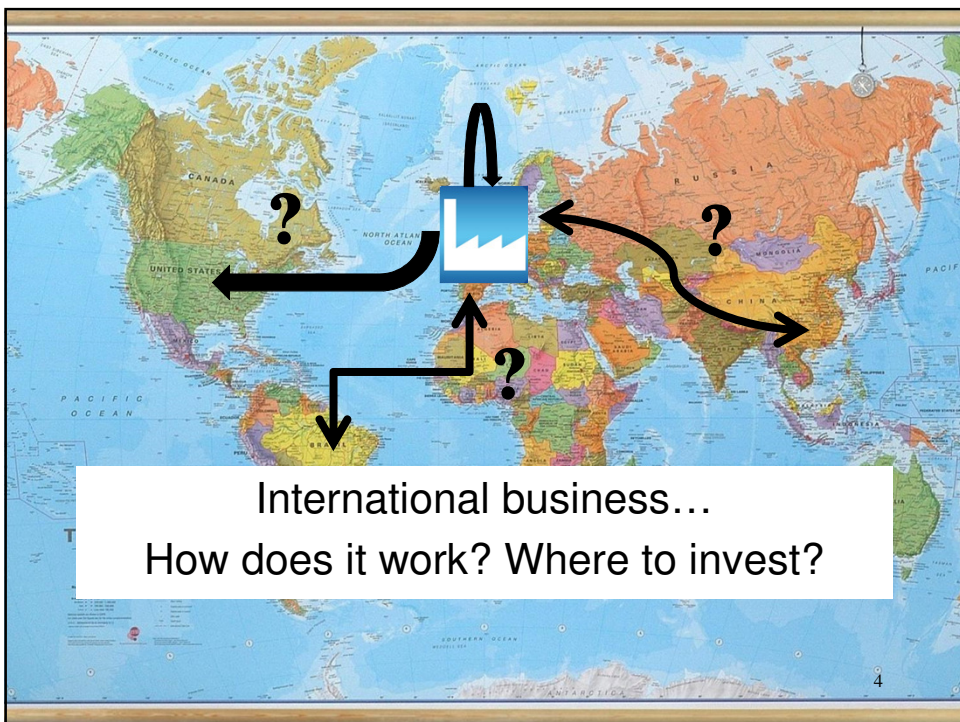
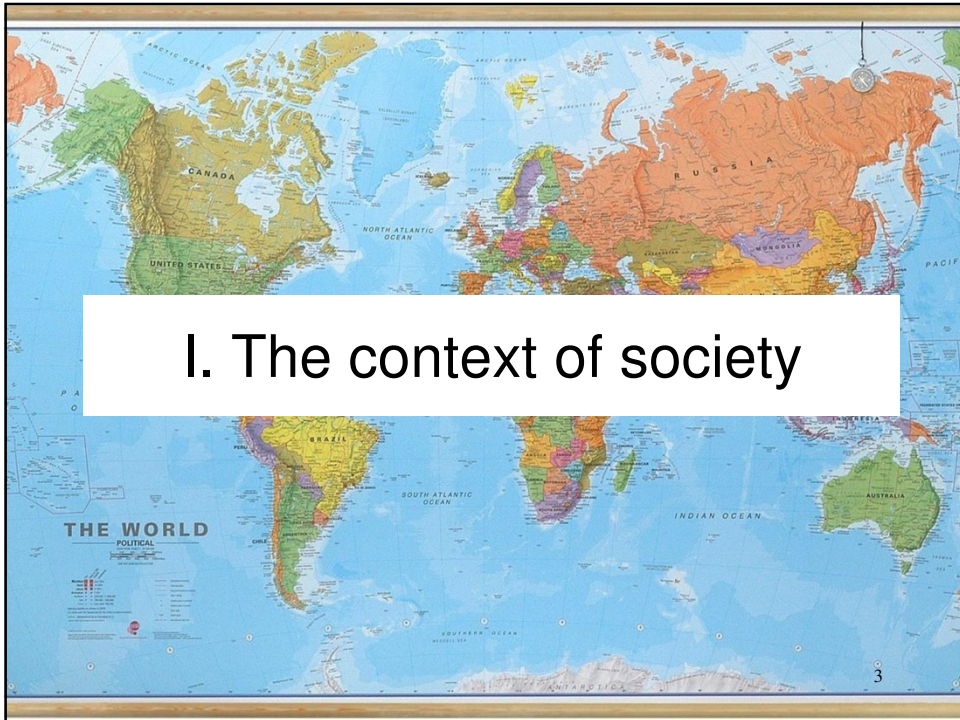
*Lecturer: Jacques Bazen*

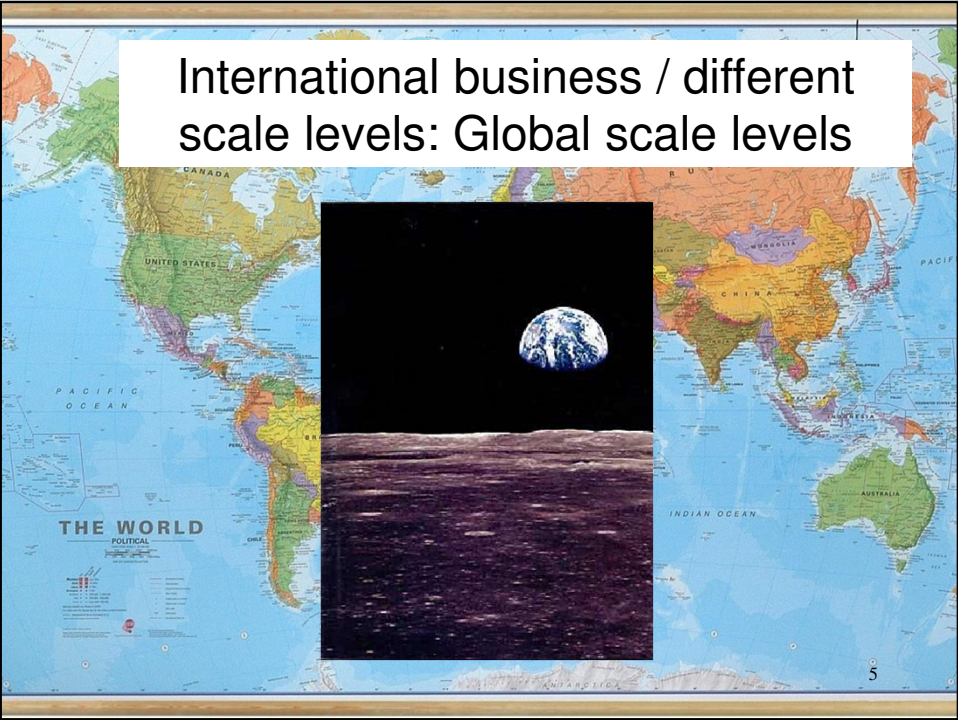
THE WORLD  
POLITICAL

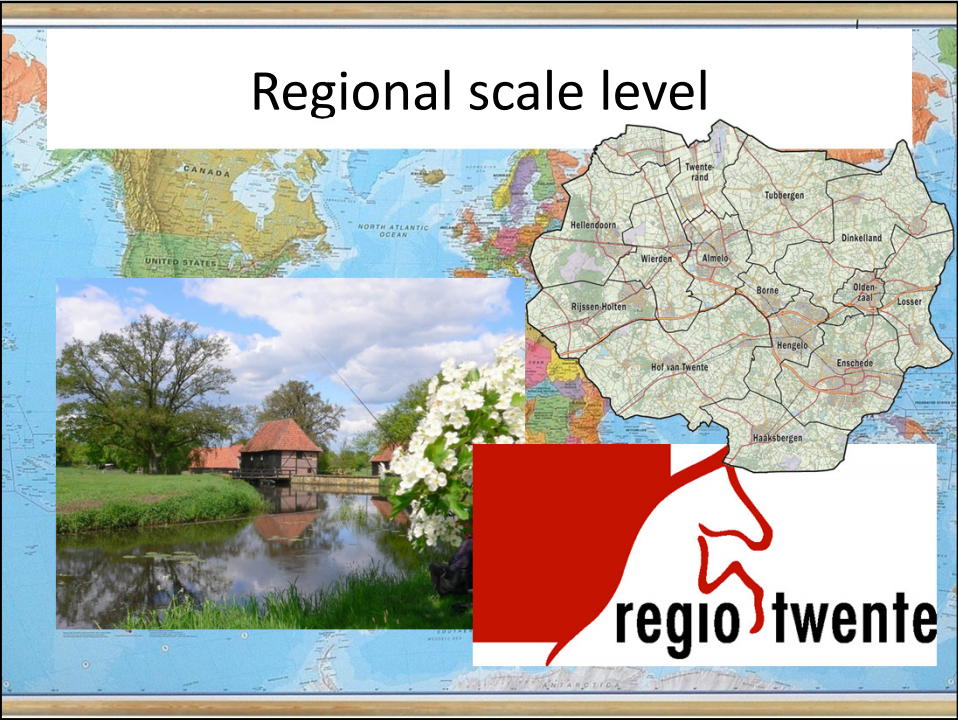
Kom verder

**SAXION**  
University of Applied Sciences

↑ Enschede  
← Deventer



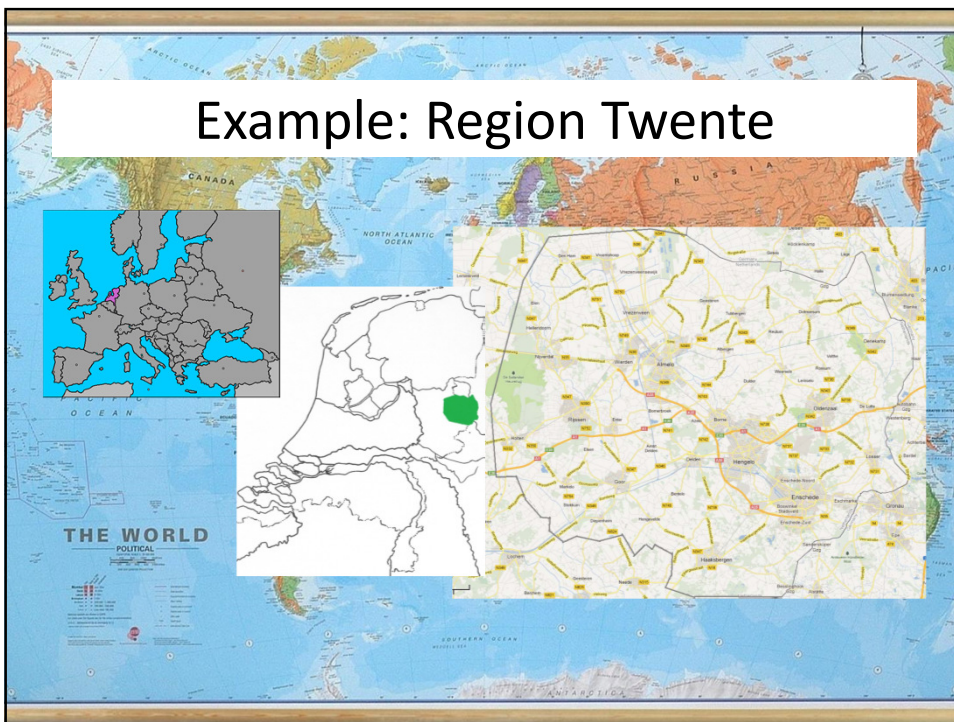


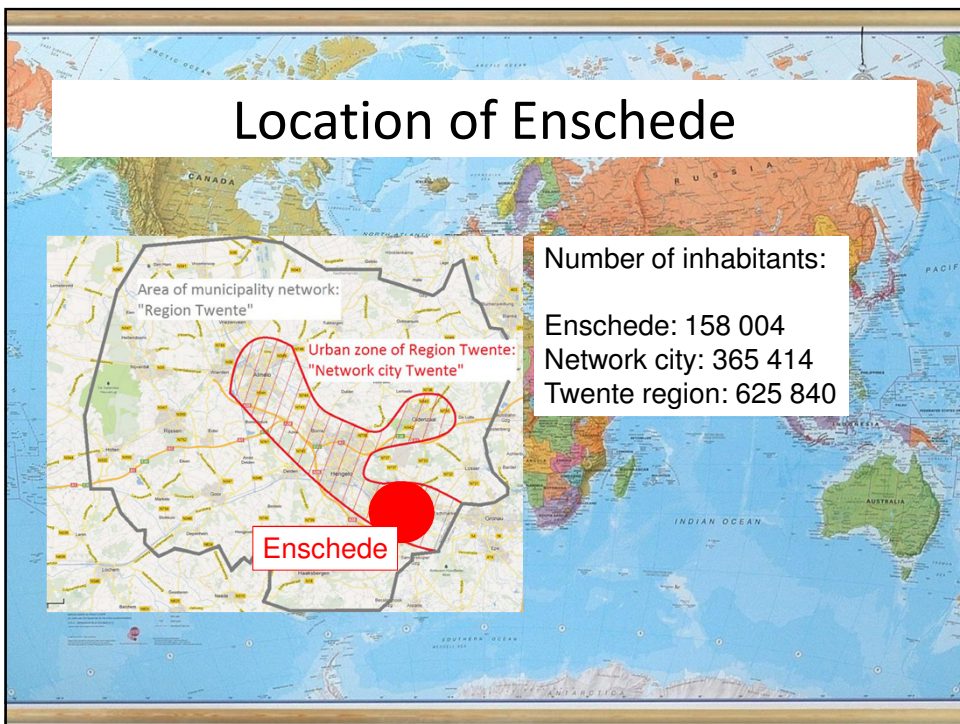
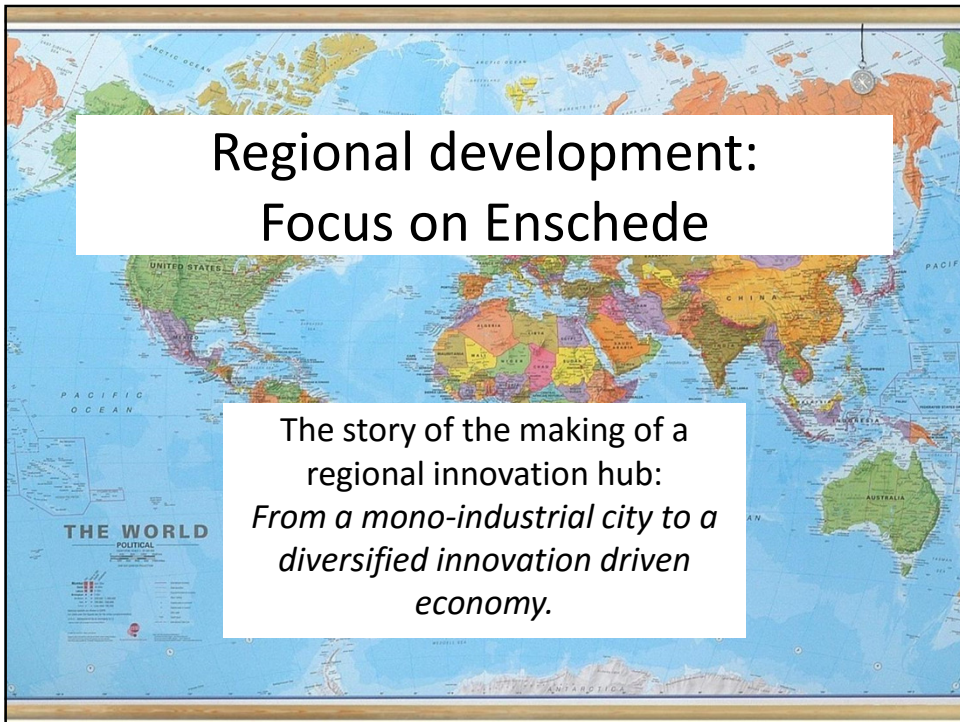


## Development as trading nation



## Example: Region Twente



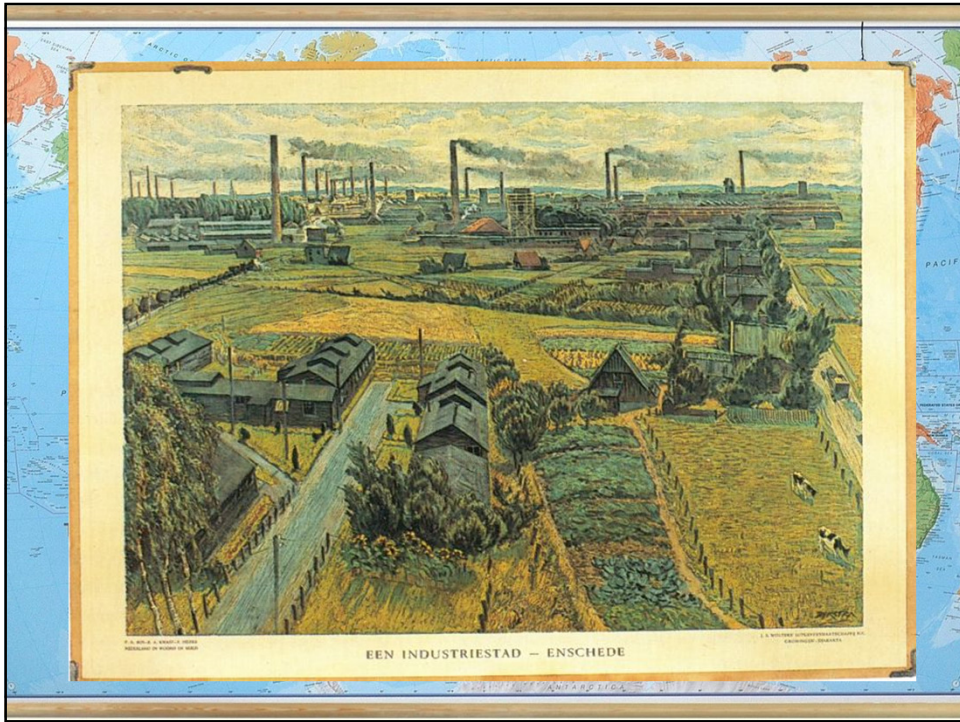


## Enschede today



## Region Twente/Enschede Mono-industrial complex



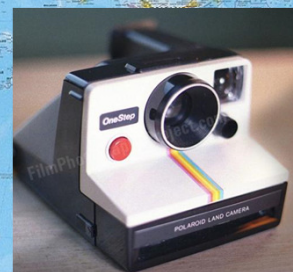


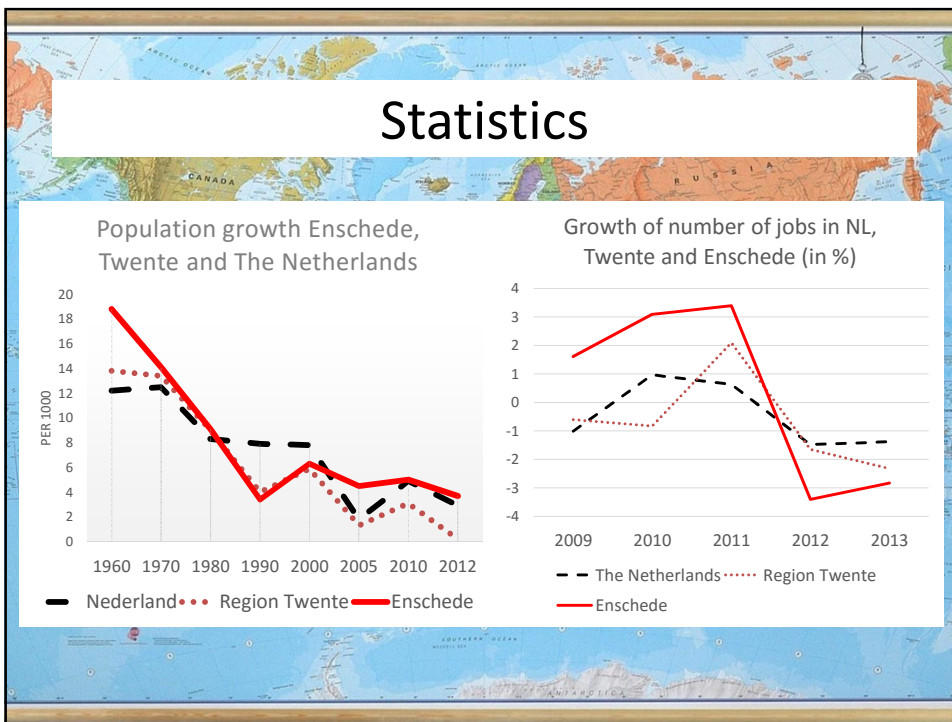
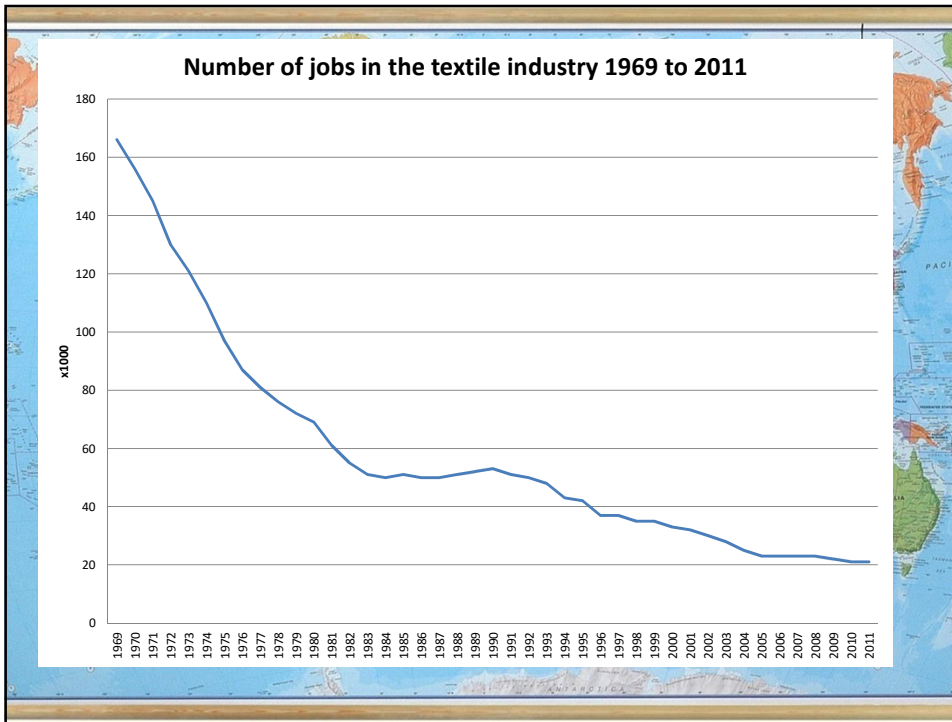


## Crisisarea... 2<sup>nd</sup> half 20<sup>th</sup> century



## Efficiency vs. Effectiveness...





## How was the economy diversified?

- Long term approach of the government, no quick fix
- Strong investment in education & high tech
- Took several decades to reform the economy

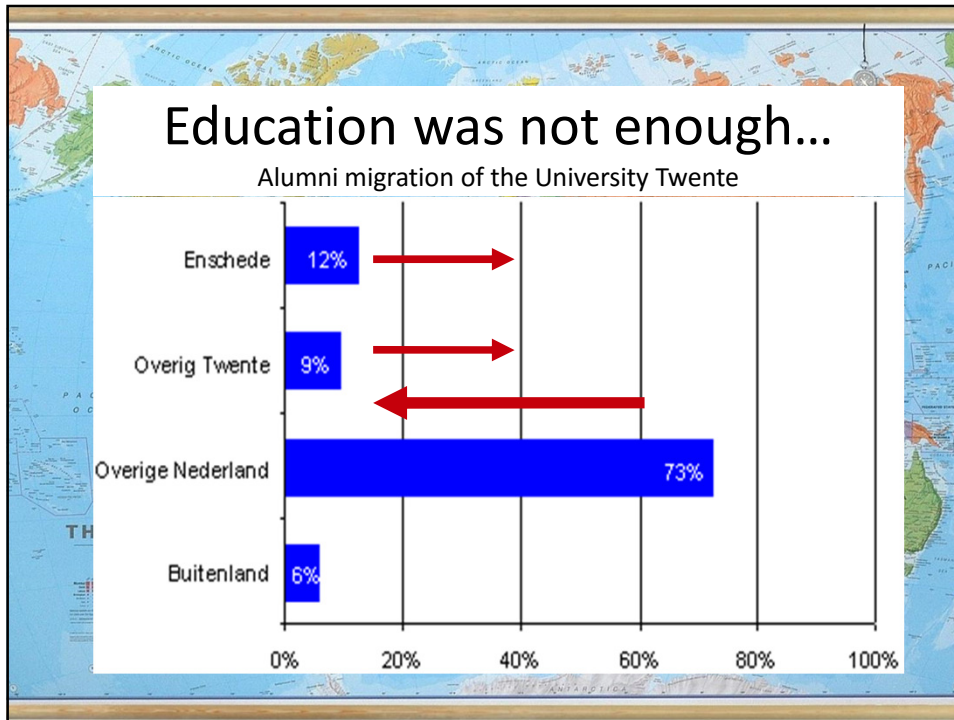
*Three ingredients for Enschede*

## 1. Investment in education

UNIVERSITY OF TWENTE.

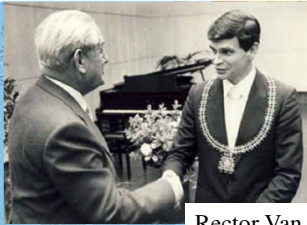
SAVION

TWENTE  
KENNISPAK



## 2. Entrepreneurial university

Management policy:  
Supporting  
entrepreneurship  
among students and staff



Rector Van den Kroonenberg

Create  
new  
business

13 juni 2013

UNIVERSITEIT TWENTE MEEST  
ONDERNEMENDE UNIVERSITEIT  
EERSTE PLEK IN ELSEVIER / SCIENCEWORKS VALORISATIE  
RANKING 2013

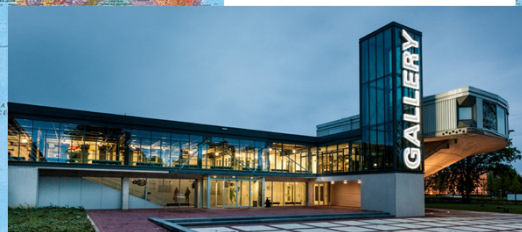
## High Tech campus development



**MESA+**

Institute for Nanotechnology

Kennispark  
**Twente**  
Innovate & Accelerate



### 3. International cooperation

Twente region is cooperating with the region Osnabrück and Münster for a long time.

The regions created a new cooperation platform called EUREGIO in 1958. The first of its kind.

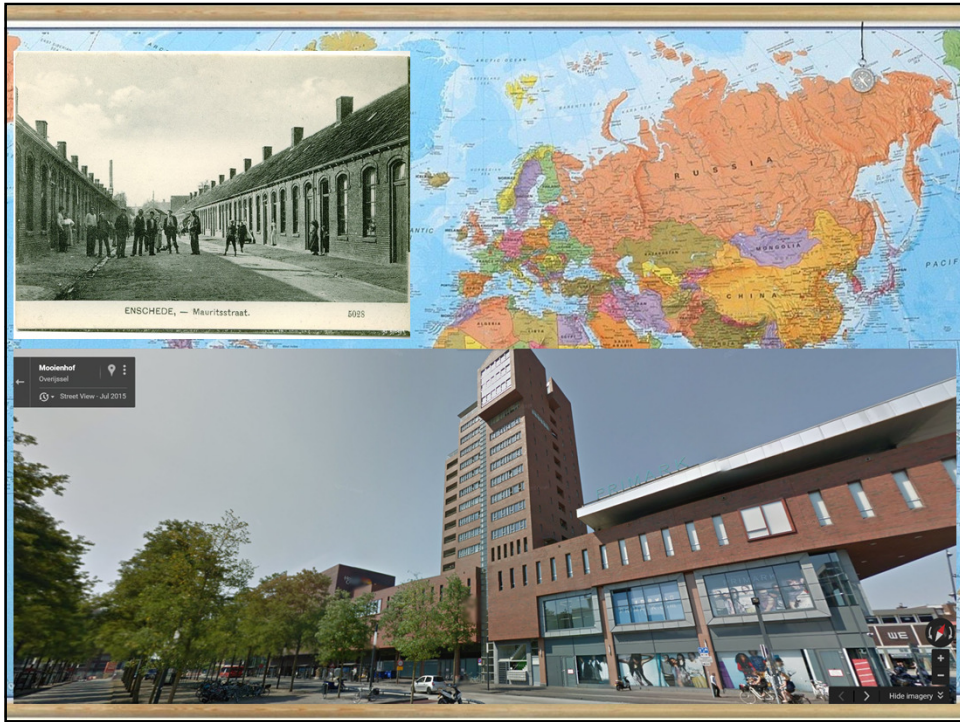
Now, almost 100 Euroregions



Alfred Mozer

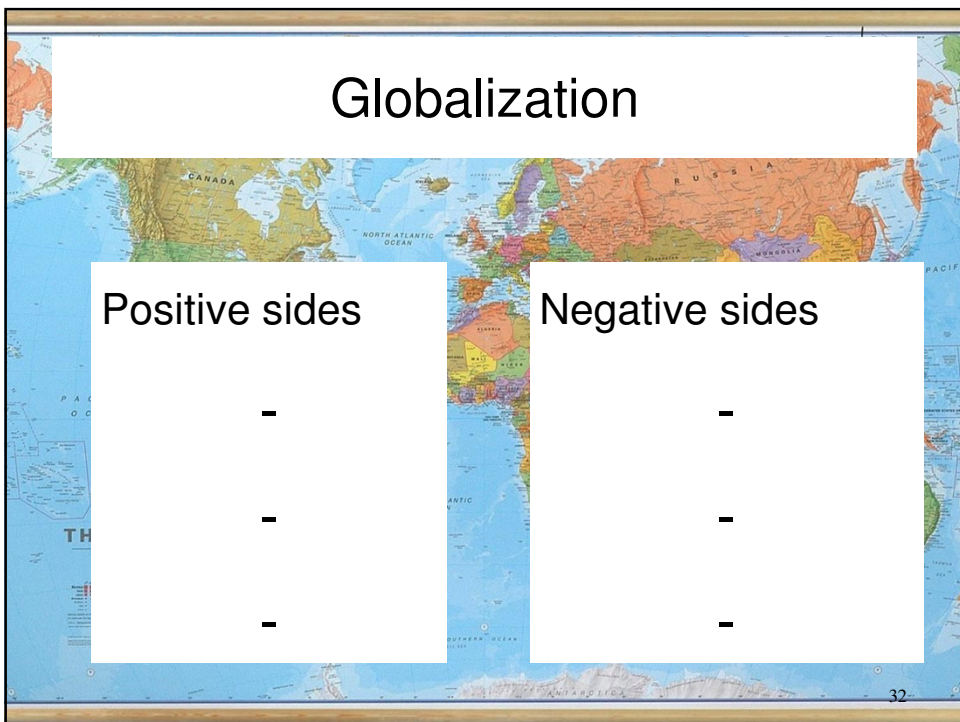
### Research into International cooperation

- Positive correlation between innovation and internationalisation in enterprises
- New enterprises that export are an important factor for regional economic growth
- International start-ups are more ambitious than non international start-ups
- Positive correlation between internationalisation and succesful entrepreneurs





## II. About the 21st century economy



## Globalization

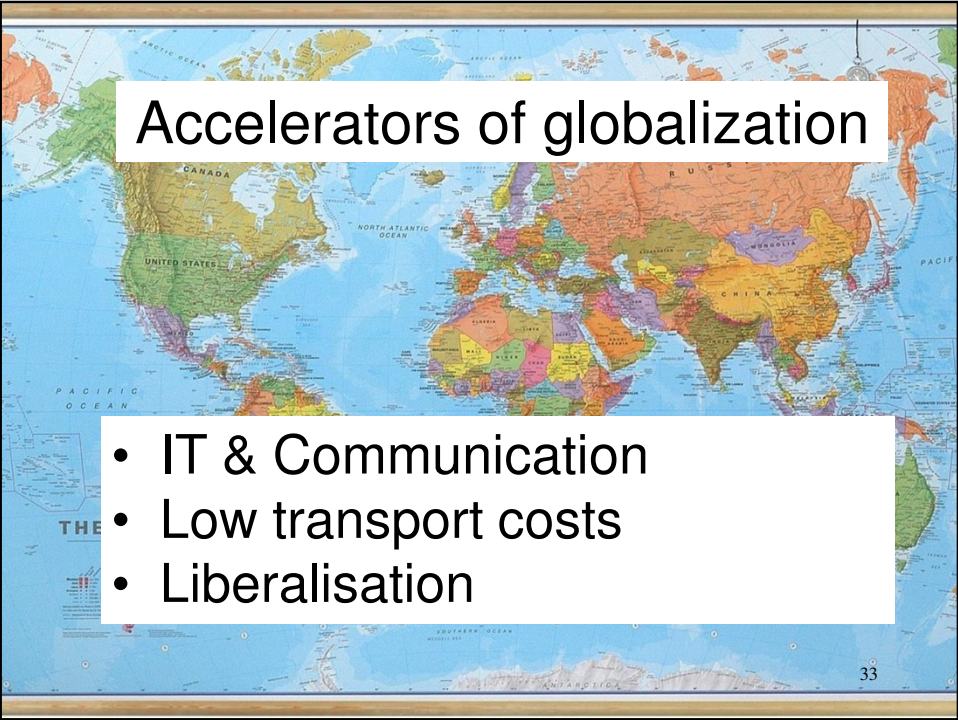
### Positive sides

- 
- 
- 

### Negative sides

- 
- 
-

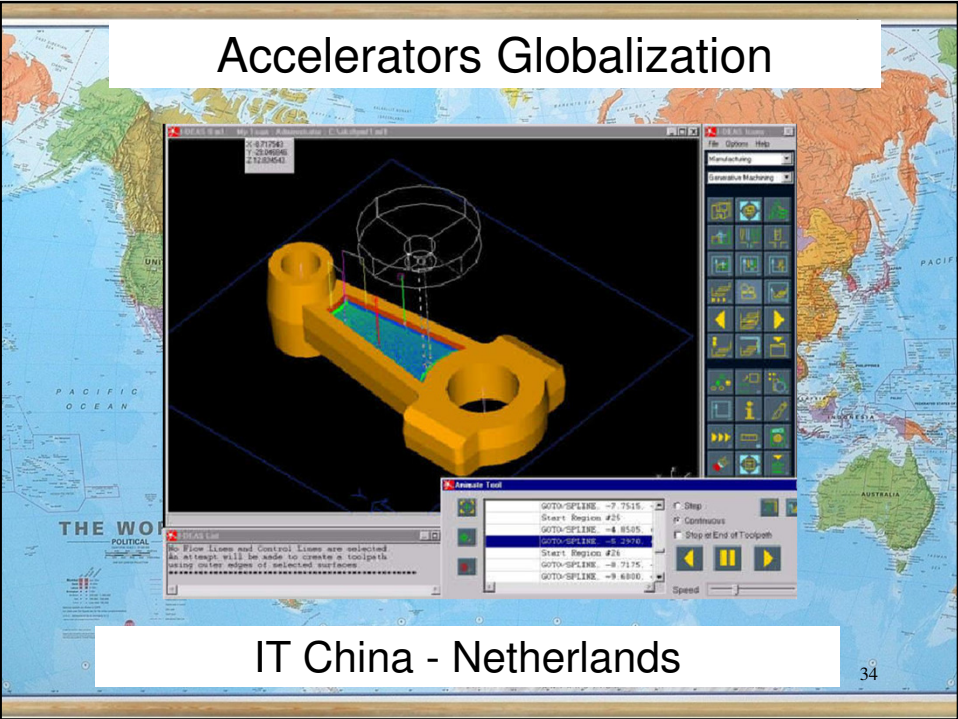


A world map showing major continents and oceans. A white text box is overlaid on the map, containing the title and a list of factors.

## Accelerators of globalization

- IT & Communication
- Low transport costs
- Liberalisation

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A world map with a 3D CAD software interface overlaid. The interface shows a yellow 3D model of a mechanical part, a wireframe model, and various software controls and toolpaths.

## Accelerators Globalization

IT China - Netherlands

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## Accelerators of Globalization

200 - 300 men  
100 ton cargo





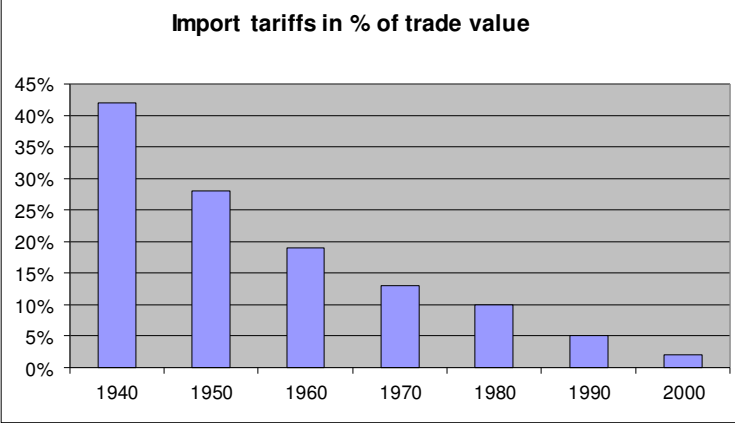
13 men  
14700 TEU

Transport costs are low  
1 T-shirt from China to Western Europe?

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## Accelerators of Globalization

**Import tariffs in % of trade value**



Year	Import tariffs in % of trade value
1940	~42%
1950	~28%
1960	~19%
1970	~13%
1980	~10%
1990	~5%
2000	~2%

Liberalization of trade

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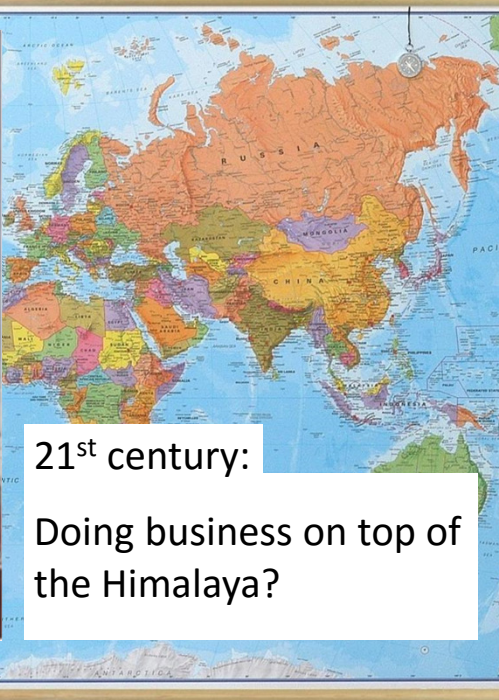
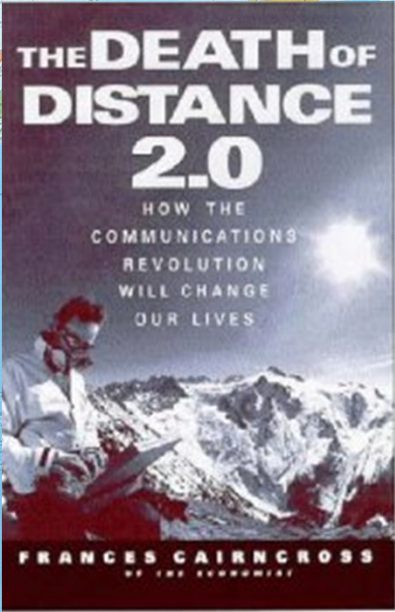
Is the world flat?



**The World Is Flat**  
A BRIEF HISTORY OF  
THE TWENTY-FIRST CENTURY  
**Thomas L. Friedman**

Big Deal!  
We said the *World Is Flat*  
more than 12000 years ago!

Does it matter where you are on earth?



**THE DEATH OF DISTANCE 2.0**  
HOW THE COMMUNICATIONS REVOLUTION WILL CHANGE OUR LIVES  
**FRANCES CAIRNCROSS**  
OF THE ECONOMIST

21<sup>st</sup> century:  
Doing business on top of the Himalaya?

## Typical “Flatteners”/Distance killers according to Friedman:

1. Economies get interconnected by globalization competing systems

2. The result (of the world flatteners) is the creation of a global, web enabled playing field that allows for multiple forms of collaboration in real time without regard to geography, distance or, in the near future, even language. It is open today to more people than anything like it in the history of the world!

(Friedman, *The World is Flat*, p. 176)

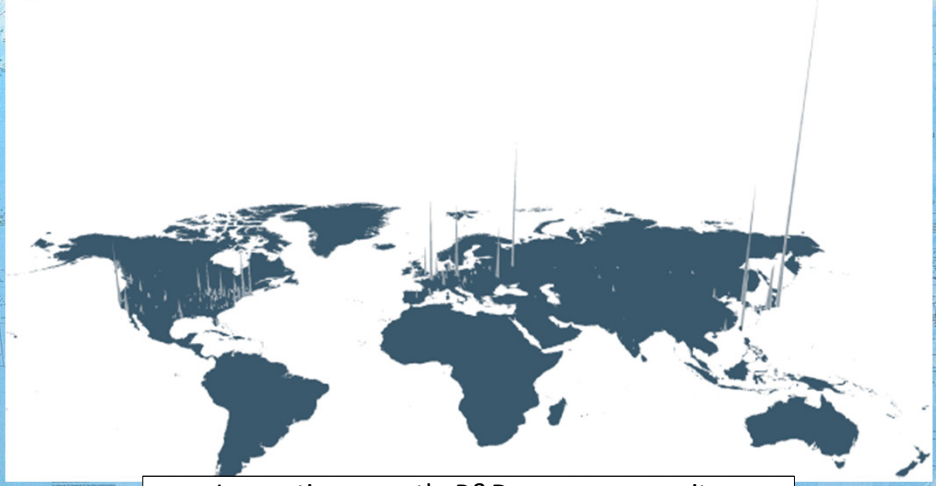
4. These important world flatteners (1, 2 and 3) are increasingly getting mixed up and connected with each other via internet technology. (also through smartphones etc.)

Or is it maybe not so flat...? → “Spiky world” (Florida)



Economic activity in major cities in the world  
*Richard Florida, Who is your city?*

“The spiky world II” (even more unbalanced)



Innovation on earth, R&D expenses per city  
By Richard Florida, Who is your city?

GLOBAL CREATIVITY

RICHARD FLORIDA  
OPEN & EXCITING

PLACE LIVE IN "CREATIVITY"  
TAVNING SCENE  
DONG STUFF  
RECHARGE BATTERIES

WHERE BOHEMIANS (AND GAYS) LIVE!

OTHER MARKETS HAVE FIGURED IT OUT!  
INDIA  
CHINA  
NEW ZEALAND

FOCUS ON MINDS  
US DOMINANCE DEPENDENT UPON ABILITY TO ATTRACT & INSPIRE THE BEST TALENT FROM AROUND THE WORLD. BUT THAT IS CHANGING.  
NOT JUST "BRAIN DRAIN" BUT "BRAIN CIRCULATION"  
PEOPLE WHO WANT TO BE THERE!

TECHNOLOGY  
AESTHETIC  
POLITICAL  
SOCIAL

ALL CREATIVE PISTONS OF ECONOMIC DEVELOPMENT

SCIENTISTS  
TECHIES  
ARTS+ENTERTAINMENT  
ARCHITECTS+ENGINEERS  
SOFTWARE DESIGNERS  
ENTREPRENEURS

LESSON 4  
LOW SKILL PEOPLE TURN INTO HIGH SKILL PEOPLE!

LESSON 3  
DON'T FOCUS ON ATTRACTING BUSINESS, BUT PEOPLE!

LESSON 2  
VALUE COMES FROM PEOPLE (the carriers of creativity)  
WELCOME TO SILICON VALLEY & A NERDISTAN  
HUB OF OPEN CREATIVE ENVIRONMENT

LOCAL EDUCATION  
LOCAL SUCCESS  
= 30% (THE OTHER 70% ARE UNEMPLOYED PEOPLE)  
= 40 MILLION JOBS  
= 1/2 WAGES

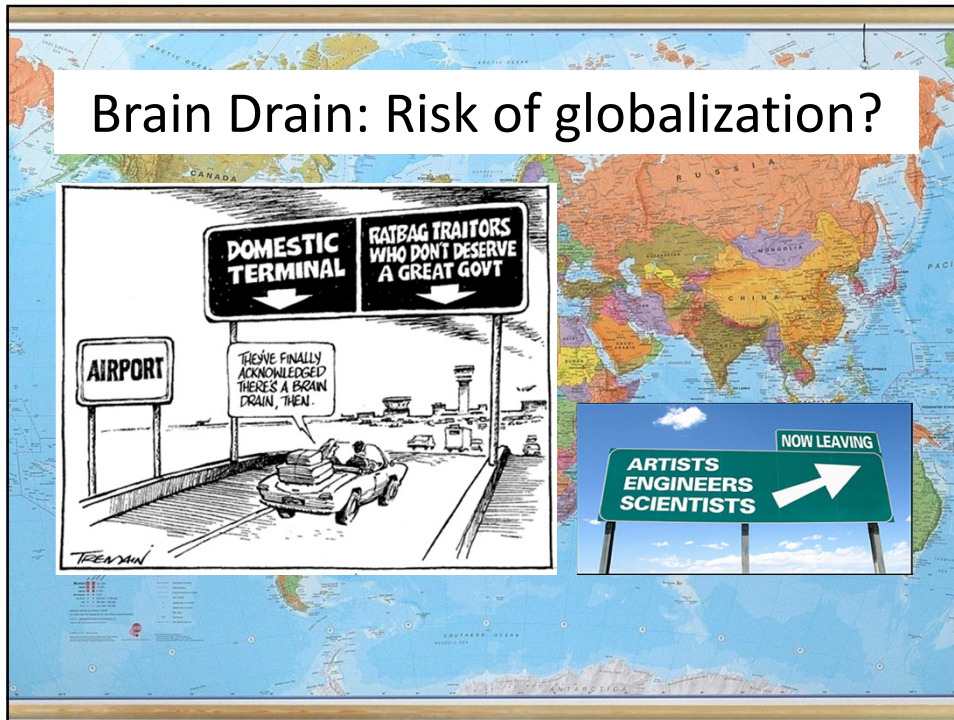
THEO LUVS U!  
LESSON 1  
VALUE COMES FROM DESIGN.

THE WORLD POLITICAL

PETER DURAND  
www.silphash.com

FBP!TECH  
OCT 21, 2004

## Brain Drain: Risk of globalization?



## What can governments do to help regions to survive and prosper:

Identify the strengths of the region and link these with the four drivers of economic development:

1. Clusters/transfer of technology
2. Entrepreneurship
3. Attractive living environment
4. Attractive employers

## Clusters/High tech “Topsectors”

## Causes of globalization

- I. Free trade
  - Why free trade?
  - Consequences for companies?
- II. Regional specialisation

THE WORLD  
POLITICAL

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## Why free trade?

Policy of most countries.

Beneficial for:

- Companies
- Consumers

WTO-policy is based on David Ricardo



David Ricardo 1772 –  
1823

Free trade possibilities

Autodidact and Businessman

Formal education from 6 – 14th year

Law of the comparative cost differences:

Mathematical model that illustrates the benefits  
of free trade.



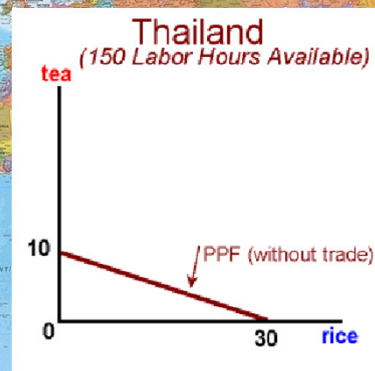
## Example: Productivity per country

Situation	Indonesia	Thailand
Production 1 kg Rice	4 h	5 h
Production 1 kg Tea	2 h	15 h
<b>Conclusion</b>	Indonesia produces more efficient	
	Production Indonesia with <b>100</b> hour	Production Thailand with <b>150</b> hour
Rice	25	30
Tea	50	10
<b>Conclusion</b>	Maximal consumption without trade	

Given: Production capacity / productivity  
 Consequence: Output

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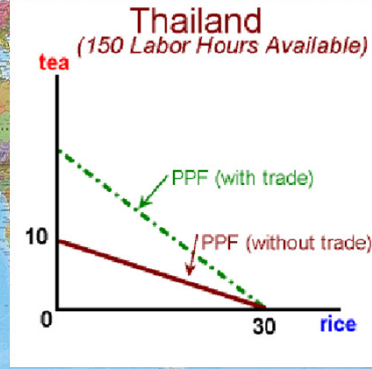
## Consumption per country without trade



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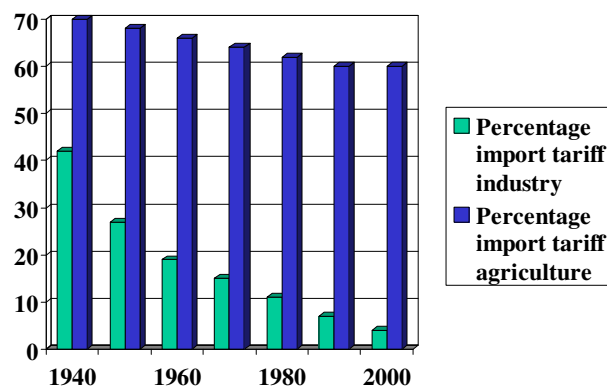
## Consequences of trade

The number of working hours stays the same



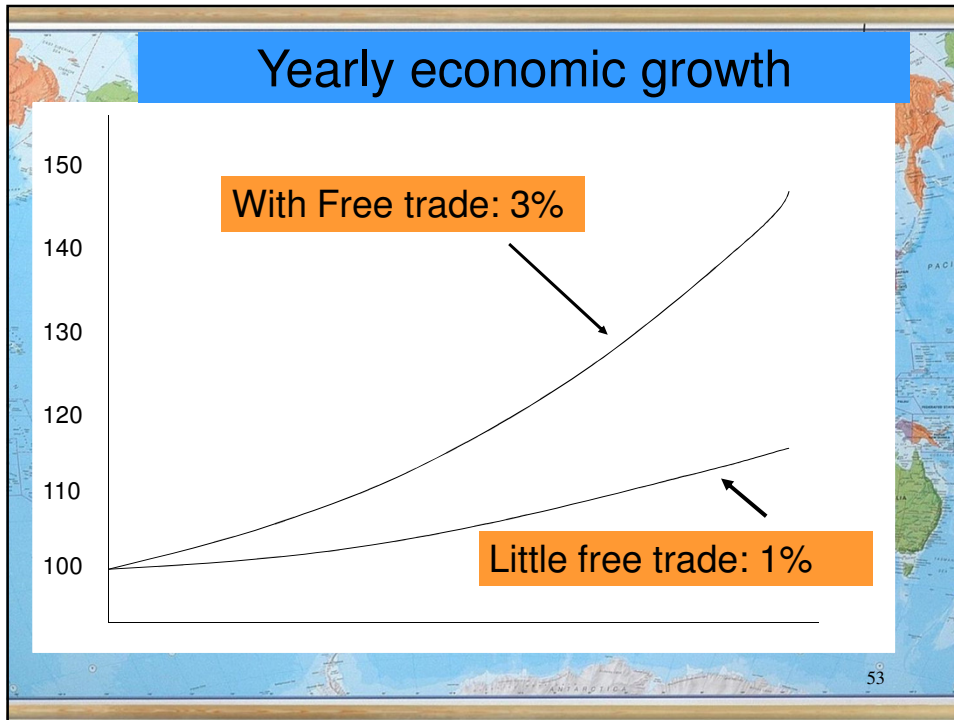
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## Free trade in Europe (EU customs union)



Different developments in trade barriers for industry & agriculture

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- ### Protectionism
- Competition reasons:
    - Employment protection
    - Dumping
    - Retribution / Sanctions
  - Independence:
    - Historical/cultural
    - Strategische handelspolitiek
    - Infant Industry
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## Forms of protectionism

- Tax barriers
  - Import tariff
  - Import quota
  - Voluntary export limitation
- Procedural Barriers
  - Customs
  - Government tenders
- Technical barriers
  - Product specifications

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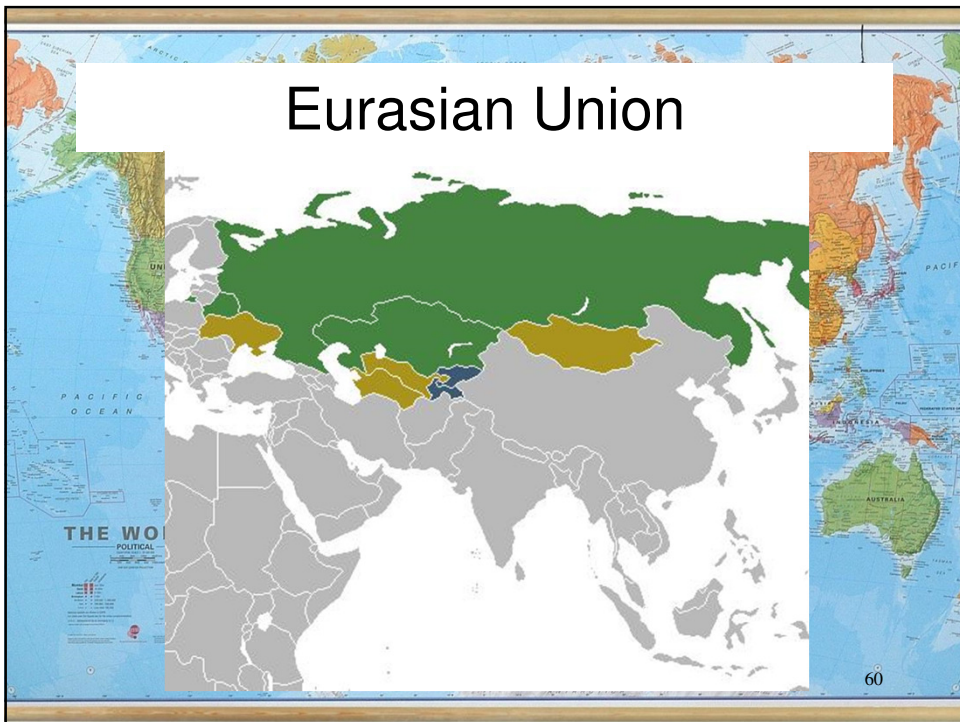
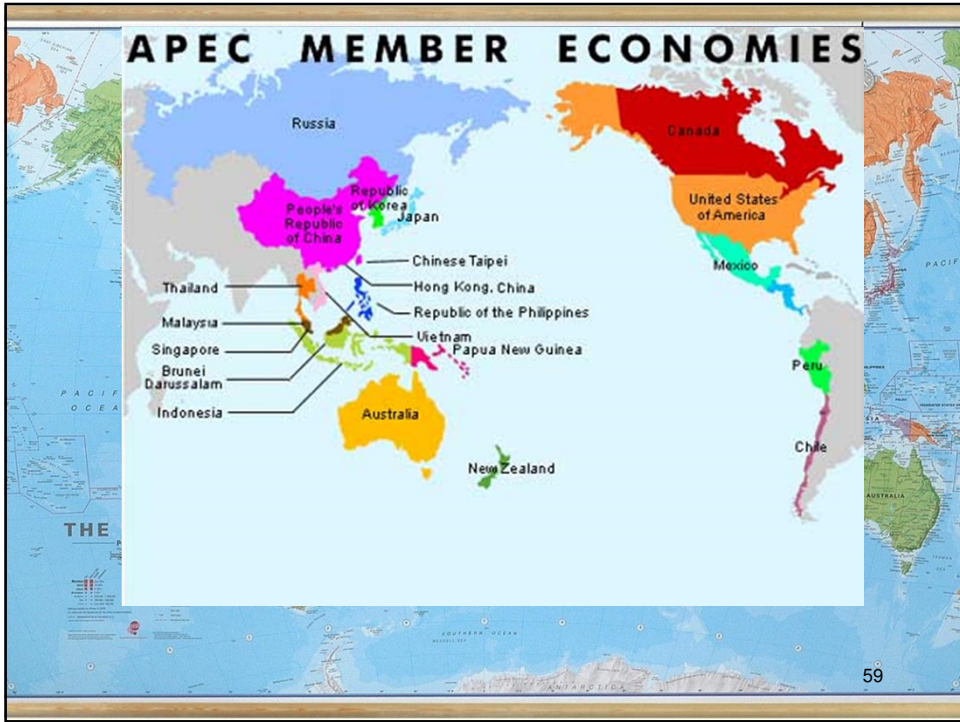


## Trade blocks *(under construction)*

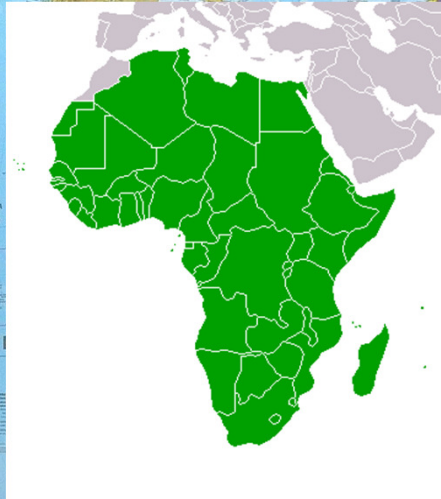
First step to free trade?  
Or “regional protectionism”?

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# Afrikaanse Unie



- Peace keeping van Oeganda in Somali
- Investerings in infrastructuur
- regionalisering

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