




Logistics Around the World

Chapter 2




Learning Objectives

- View Different Cultures & Infrastructures
- Three Major Types of Economic Conditions Impact on Logistics
 - ❖ Industrial, Emerging, 3rd World
- Levels of Cooperation Between Nations
- Major Trading Blocks




Pop Quiz: Identify the Country

- Intel recently opened an assembly and testing facility in this country because “of its excellent educational system, the quality of its workforce, its strategic location, and its political, economic and social stability”
 - ❖ Austria
 - ❖ Canada
 - ❖ Costa Rica
 - ❖ Singapore



Pop Quiz: Identify the Country


- Which country ranked 64th in the 2011 Index of Economic Freedom (i.e., it is not considered to be “open to business?”)
 - ❖ Chile
 - ❖ France
 - ❖ Luxembourg
 - ❖ Netherlands



Pop Quiz: Identify the Region

- This region is re-emerging as a vital center of distribution and trade. It is a major transshipment hub for air-sea moves.”


- ❖ Far East
- ❖ Middle East
- ❖ Pacific Northwest
- ❖ Western Europe



Pop Quiz: Identify the Country


- In 2009, this country had a GDP growth rate of 5%, a inflation rate of 1%, and a poverty rate of 15%. Which country is it?

- ❖ Great Britain
- ❖ Morocco
- ❖ South Korea
- ❖ United States




Chapter 3 Discussion Questions

- Why do Americans assume that everything in other countries is just like it is at home?
 - ❖ What influences our assumptions?
- Why is it important to understand cultural differences when doing business globally?
 - ❖ How do cultural barriers impede success?
- What are the major differences in the level of logistical development around the world?
- What are the primary trading blocks?
 - ❖ Why do they exist?




Logistics Development Around the World

	<i>Industrial</i>	<i>Emerging</i>	<i>3rd World</i>
<i>Focus of Activities</i>	Buyers Market Final Consumers Customer Service	Industrial Market Cost of Activities	Sellers' Market No Customer Service
<i>Logistics Infrastructure</i>	Highly Developed Standardized Compatible	In Development	Undeveloped Export Oriented
<i>Logistics Performance</i>		Need to Invest Outbound & Cost Oriented	Not Measured Slow, High Cost
<i>Information Systems</i>	State of the Art, Reliable, Compatible	Lagging, Leapfrog Technology	




Logistics Development Around the World

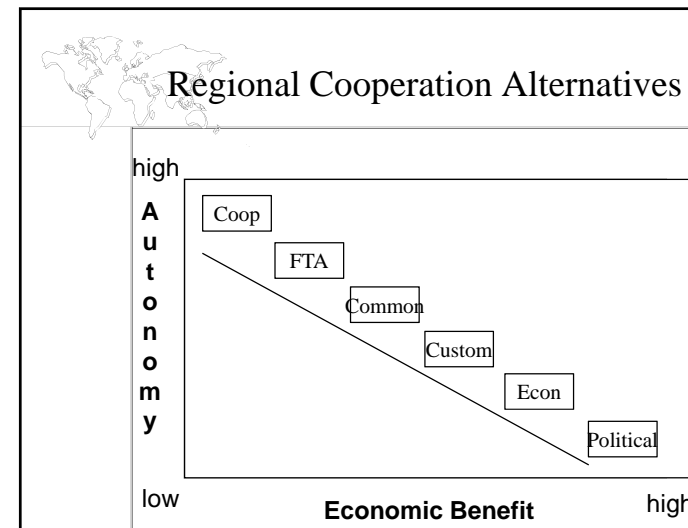
	<i>Industrial</i>	<i>Emerging</i>	<i>3rd World</i>
Managerial Expertise	Well Educated Sophisticated		None Rely on Outside Experts
Labor	Well Educated, Skilled, Expensive Short Supply	Some Education Some Skills Increasing Costs	Little Education Inexpensive Ready Supply
Logistics Strategy	JIT, SCM Creating Competitive Advantage		
Financial Status	Stable Economies High Logistics Expenditures	Stabilizing Economies Need Investments	Unstable Economies No Logistics Investments



Logistics Development Around the World

	<i>Industrial</i>	<i>Emerging</i>	<i>3rd World</i>
Dominate Modes	Multimodal	Rail & Water Lack Highways	Rail & Water Lack Highways
Legal and Ethical Issues			Extensive Corruption & Graft
Trade Issues	Less Reliance of Artificial Barriers Strong Trading Blocks		No Trading Blocks Protectionism
Government Involvement	Only as Needed for Regulation Usually Safety	Moving Towards Privatization	

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- ### Regional Cooperation Alternatives
- Cooperative projects and regulations
 - Free Trade Areas
 -
 - Common Markets
 - Economic Unions
 -
- ❖ the further you work down the list, the less autonomy each country has
- ❖ the further you work down the list, opportunity for greater economic benefit exists





Regional Cooperation

- **Benefits**
 - ❖ economies of scale and specialization
 - ❖ access to mass markets
 - ❖ access to resources and supplies
 - ❖
 - ❖ lower prices and greater consumer choice
 - ❖ economic and political stability
- **Drawbacks**
 - ❖
 - ❖ increased competition



Major Economic Trading Blocs

- **European Union**
 - ❖ Originally 15 countries in Western Europe
 - ❖ Grew to 27 (Iceland has applied)
 - ❖ moving toward an economic union
- **Transportation Related Issues**
 - ❖ elimination of physical borders
 - a Europe without frontiers -
 - ❖ unification of indirect tax systems
 - ❖ common currency
 - ❖ reduced documentation
 - ❖ elimination of laws



EU & EFTA




Current European Union





Major Economic Trading Blocs

- North American Free Trade Agreement
 - ❖ U.S., Canada, Mexico
 - ❖ free trade area
- Transportation Related Issues
 - ❖ borders are not "open"
 - customs inspections will occur
 - ❖ transborder freight transportation
 - limited to (CA, TX, NM, AZ)
 - ultimately will include all states
 - ❖ allows in transportation carriers and infrastructure of other countries



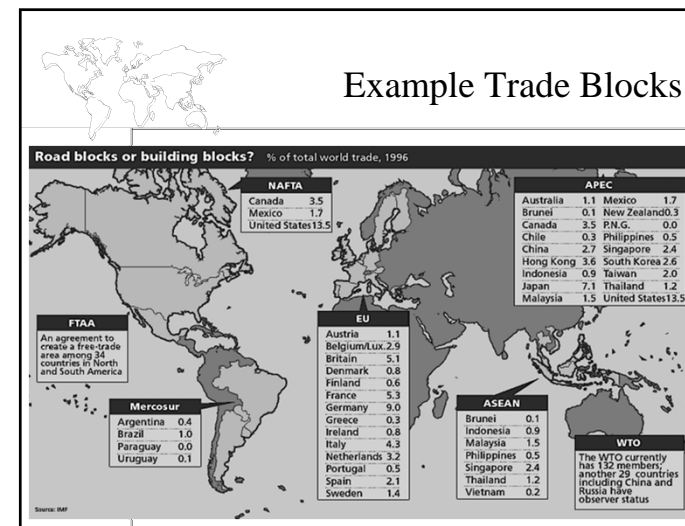
Other Economic Trading Blocs

- Mercosur (4)
 - ❖ Latin American free trade area
- - ❖ free trade area
- Andean Pact (5)
 - ❖ free trade area with common external tariffs
- European Free Trade Agreement (6)
 - ❖ cooperative project to promote trade
 - ❖ have signed a far reaching agreement with EC to create a common European Economic Area



Other Economic Trading Blocs

- Mercosur (4)
 - ❖ Latin American free trade area
- Association of South East Asian Nations (7)
 - ❖ free trade area
- Andean Pact (5)
 - ❖ free trade area with common external tariffs
- European Free Trade Agreement (6)
 - ❖ cooperative project to promote trade
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Key Issues to Remember

- The state of logistics varies by country and region of the world
 - ❖ focus of activities may be export and/or import
 - ❖ expertise may not exist
 - ❖ labor may not be available or well trained
 - ❖ infrastructure may not be up to our standards
 - ❖ equipment may not be the most modern
 - ❖ government may be heavily involved
 - including ownership
- Solutions must be tailored to the situation



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