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ECO 410

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**Discuss the concept of globalization and its Drivers**

Globalization is the word used to describe the growing interdependence of the world’s economies, cultures, and populations, brought about by cross-border trade in goods and services, technology, and flows of investment, people, and information. Countries have built economic partnerships to facilitate these movements over many centuries. But the term gained popularity after the Cold War in the early 1990s, as these cooperative arrangements shaped modern everyday life.  Globalization can be traced as far back as the 18th century which dates back to the prominent era of mercantilism. Since ancient times, humans have sought distant places to settle, produce, and exchange goods enabled by improvements in technology and transportation. But not until the 19th century did global integration take off. Following centuries of European colonization and trade activity, that first “wave” of globalization was propelled by steamships, railroads, the telegraph, and other breakthroughs, and also by increasing economic cooperation among countries. The globalization trend eventually waned and crashed in the catastrophe of World War I, followed by post-war *protectionism*, the Great Depression, and World War II. After World War II in the mid-1940s, the United States led efforts to revive international trade and investment under negotiated ground rules, starting a second wave of globalization, which remains ongoing, though buffeted by periodic downturns and mounting political scrutiny. As a result of globalization, cross-cultural communication is more prominent than ever before, providing challenges for internal communicators who have to reach a variety of different audiences in different locations within their organization.

This means that you can have a global workforce - the type that is based in different countries, in different time zones, with different cultural sensibilities, with different legislation and regulatory impositions all striving towards a common goal for your business despite these obstacles.

And while globalization isn’t a new phenomenon, its impact has been more pronounced in recent years. It is disrupting the way that industries all over the world operate, coupled with rapid advances in technology, putting the modern workplace into a constant state of flux, rapidly changing and developing and becoming increasingly difficult to define. More and more companies are finding themselves managing a global workforce as a result.

**Advantages of globalization**

There is no question that globalization has been a good thing for many developing countries who now have access to developed countries markets and can export cheap goods. Supporters of globalization argue that it has the potential to make this world a better place to live in and solve some of the deep-seated problems like unemployment and poverty.

1. Free trade: free trade is supposed to reduce barriers such as tariffs, value added taxes, subsidies, and other barriers between nations.

2. The proponents say globalization represents free trade which promotes global economic growth; creates jobs, makes companies more competitive, and lowers prices for consumers.

3. Competition between countries is supposed to drive prices down. In many cases this is not working because countries manipulate their currency to get a price advantage.

4. It also provides poor countries, through infusions of foreign capital and technology, with the chance to develop economically and by spreading prosperity, creates the conditions in which democracy and respect for human rights may flourish. This is an ethereal goal which hasn’t been achieved in most countries

5. There is cultural intermingling and each country is learning more about other cultures.

**Disadvantages of globalization**

The general complaint about globalization is that it has made the rich richer while making the non-rich poorer. “It is wonderful for managers, owners and investors, but hell on workers and nature. Other complaints include;

**1. Globalization can leave some cultures behind.**

The process of globalization requires countries, cultures, and communities to set aside what their definition of “normal” happens to be for something that promises to be better. The fact is that there will be cultures and countries that must sacrifice something to create more equality for others. Although people who would benefit from this action would not see it as a disadvantage, those asked to make the most significant changes could find it to be a problematic issue.

It isn’t the wealthiest countries who are solely affected by this problem either. The developing world could get left behind if they decide to isolate instead of integrate as the world moves toward a closer culture.

**2. It could create adverse impacts for the global environment.**

The cultures that have already gone through the industrial revolution have created the issues with greenhouse gas emissions that 90+% of scientists around the world believe are a significant contributor to the processes of global warming. As our levels of trade increase globally, the amount of pollution we generate grows as well. With over 150 countries potentially needing an upgrade to their infrastructure, the environment would be set to take a significant hit to its health because of globalization.

The World Health Organization already estimates that 7 million people die prematurely each year because of pollution. That figure could triple if we continue to globalize in a way that promotes industrial equality.

**3. Each culture could be asked to change how they define themselves.**

National borders are not the only boundaries that humans set for themselves as they go about the business of daily life. We also set limits on our cultural identity, ethnicity, and family environment. When we move toward a society that focuses on globalization first, then these points of emphasis hold less importance. They would still be present because individuals always define themselves in some way because of their history, but it would also be an element that slowly disappears.

The examples of this disadvantage are numerous in the world today. Texans consider themselves Americans first despite the fact that they were once an independent nation. People who live in the city-states of Italy are called Italians instead of what their culture prefers by the outside world. San Marino has one of the oldest democracies in the world, the lowest unemployment rate in Europe, and no national debt – and arguably no global identity.

**4. Globalization would temporarily reduce high-paying jobs.**

There would be a surge of employment in the places of the world where the cost of living is lower. Even as this process works to raise wages around the globe, the workers who are already in high-salary positions could find their jobs threatened by a push to offshore jobs as a way to grow the world’s economy. Even if employment opportunities remained for domestic workers, the threat of outsourcing could be used as a negotiating tool to drive wages downward in the developed world. Some households would be forced to have their standard of living go down to help others see their own begin to rise. That outcome could end up creating more harm for the economy than good because there would be less spending power available.

**5. There is also the chance that globalization would only help the wealthy.**

The people who have the power today are the ones who will drive the emphasis for globalization to become a reality. They are the individuals who will create policies, legislation, and frameworks that will bring the world closer together. There is one trait that most people who are in power share with each other: they wish to maintain it at any cost.

The natural mechanisms of globalization are to rise the living standards of the poor by redistributing some of the wealth earned by the rich. That process could be manipulated by those in charge to benefit only their nations or communities instead. This issue could even make it more challenging to find meaningful employment.

**Drivers of globalization**

**Demography**

The size of the population of a country is important for factor endowment differences between countries. If a certain economy has a large number of workers but only a small stock of physical capital, the country is labour-abundant and capital-poor. Such a country has an international competitive advantage in manufacturing labour-intensive products. Concerning international division of labour, it will specialize on the production and export of labour-intensive products.

**Technology**

Technological advancement in the past few decades have led to major improvements to global connectivity (Wellman et al, 2005), mobility and communication, which in turn helped to facilitate, drive and be driven by globalisation. Examples of technology change facilitating globalisation can be seen in all sectors, from agricultural, production lines, to finance.

In particular, one of the most prevalent changes is in information technology, ranging from mobile phones to the internet, where people are able to connect to each other from different localities throughout the world and access all sorts of information (Nyiri, 2005). It is based upon the convergence of communications and computer technologies, shifting from analogue to digital systems. For example, a director in the US can conduct a meeting with managers based in India through video conferencing, saving time and money from such long distance travel. For instance, the Bank of America Corp has 400 video-conferencing systems, and the Cleveland banking company saves $200,000 a month in travel expense by using video conferencing according to one of its spokesperson (Bills, 2006). Although there are concerns of a digital divide between places that are connected and those that not, the recent development in mobile technology can help to overcome obstacles in communication access growth in poor countries that lack fixed line infrastructures.

Due to technical progress, costs of transportation and of communication decreased strongly during the last decades. Without these reductions of costs, phenomena such as outsourcing, long-distance trade and global value chains would not be possible.

**Political Decision**

As a way to regulate their international economic position, trade policies has been used by various governments to control what goes in (imports) and out (exports) of the country. Most of the restrictive policies are for imports with the use of barriers such as tariffs ] and non-tariff barriers  , whilst for exports, it tend to be stimulatory (Dicken, 2007). One of the key features and drivers of globalisation has been the liberalization of barriers on trade in goods and services. An important motivation for such action is usually related with market access, as many governments reciprocate each other’s liberalization decision, each can benefit from the market access provided for its export industries by the other reciprocating government (Hillman et al. 1995). For example, since major reforms to liberalize market since the 1978 and trade, China experienced some of the highest GDP growth (around 10%) in the world for decades where millions were lifted out of poverty.

Economic processes are not operating in a political or institutional vacuum. Reducing or even eliminating barriers to trade in goods, services, labour and capital are political decisions. At the end of the day, whether economically motivated cross-border activities do actually take place or not depends on the policy frameworks in place. It is this framework which decides whether cross-border activities are facilitated, made more difficult or even completely forbidden.

**How do the drivers affect Nigerian Economic Growth and development?**

**Political decision**

It is believed that trade is the engine of growth in every economy. The political decision here talks about trade policies that are used by the government to control trade i.e. import and export. The most prominent and commonly used trade and globalization policy is trade liberalization. Trade liberalization is the removal or reduction of restrictions or barriers on the free exchange of goods between nations. These barriers include [tariffs](https://www.investopedia.com/terms/t/tariff.asp), such as duties and surcharges, and nontariff barriers, such as licensing rules and [quotas](https://www.investopedia.com/terms/q/quota.asp). Economists often view the easing or eradication of these restrictions as steps to promote free trade. Consumers benefit because liberalized trade can help to lower prices and broaden the range of quality goods and services available (Adigwe, Echekoba & Okonkwo 2015). Companies can benefit because liberalized trade diversifies risks and channels resources to where returns are highest. When accompanied by appropriate domestic policies, trade openness also facilitates competition, investment and increase in productivity and it is a major condition for international monetary fund for granting of external loan. However, economic critics have become more vocal by asking if there is still a role for the protection of infant industries? Does trade liberalization always lead to economic growth? There is need to consider whether reduction or elimination of tariff to guarantee openness could result in dumping and excessive dependence on importation. Nigeria, with the aim of liberalization of the economy as well as achievement of greater openness has put various policies in place to ensure a higher degree of openness of the Nigerian economy. Such policies include tariff, embargo or ban on importation and export incentives, establishment of market determined exchange rates and removal of fiscal trade disincentives, trade preference agreements etc (Oluwaleye, 2014).

The extent to which trade liberalization affects the economy remains a burning issue. The removal or reduction of restriction or barriers to the free exchange of goods and services among nations and non-tariffs obstacles such as licensing rules, quotas will in no doubt open the market and increase real value of goods and services produced by a country. However, Nigeria is romancing with the idea that openness is good for growth, but fiery issues arise where local productivity drops as a result of excess importation of goods which could have been locally produced. In a debate in the House of Representatives sponsored by Hon. Abubakar Amuda-kannike 2015 on the motion calling for the enforcement of the ban of importation of frozen poultry ‘the economic impact to the local poultry industry is enormous given that Nigerians lose about 1 Million jobs and about N399.4 Billion annually to importation and smuggling of frozen birds. Another problem is whether Nigeria has proper institutions to manage dumping? The removal of embargo without proper management has been known to lead to dumping which can push local manufacturers out of business and negatively impact on Gross Domestic Product.

**Technology**

**Technology**, the application of scientific knowledge to the practical aims of human life or, as it is sometimes phrased, to the change and manipulation of the human [environment](https://www.britannica.com/science/environment). Studies carried out, and still ongoing suggest that innovation and technology are the main indicators of improved economic growth realization in developed countries (Villa, 2005) and there is a relationship between productivity growth and technological progress (Alani, 2012)

The significance of ICTs in economic growth and development resulted from the fast growth of these technologies and their market in the nineties. The world’s developed and developing countries started immensely to harness ICT for economic growth and sustainable development (Hodrab et al.*,* 2016). Recently, ICT is believed to foster sustainable long-term growth as a production technology through carefully designed ICT systems (Alani, 2012). The principal function of ICT is in enabling humans, governments and organizations to transform information into knowledge as a strong driver in evolving lasting change in the economy and society (Kim, 2013; Lyon, 2013).

The role of ICT in economic growth has a critical place in economic research; although ICT has become an active area for investment because of its dwindling cost of services and equipment most especially with the innovation of cloud computing and the investment into ICT which includes computers and their peripherals, software, and telecommunications devices. The amount expended in the sector, reflects the fact that the ICT sector contributes to an economy by creating job opportunities where this sector leads to create new job positions in the ICT production sector or ICT providing services. In Nigeria, for example ICT sector has created thousands of jobs directly and indirectly. The Director-General of NITDA, Dr. Isa Ibrahim categorically stated that Nigeria has been spending $2.8Billion annually for the importation of various ICT products and services (Vanguard, 2016).

**Demography**

**Demography**, statistical study of human populations, especially with reference to size and density, distribution, and [vital statistics](https://www.britannica.com/science/vital-rates). According to World Bank Data (2018), the population of Nigeria stood at approximately 45 million people in 1981 but has grew markedly by about 322 percent to approximately 190 million people in 2017. However, this positive population growth had not been optimally harnessed for economic growth and development in the country as the population upsurge appears to be more of a curse than blessing. The surge in population has increased the pressure on the few available social amenities (roads, houses, water, schools and hospitals, among others) in the country thereby leading to their dilapidation or complete destruction; crime rate and other social vices have also been on the increase especially in major cities in the country; and cost of living is on the increase while standard of living dwindles on regular basis. These make it increasingly difficult for the Nigerian government to adequately provide quality social services to her citizens as every effort to do this is being frustrated.

**The global village has become a contagious one, due to implications of policy and its environmental effects at affects the global markets. in your own view, is this true of the Nigerian case. Justify with clear examples.**

The global policies have had an impact on the environment and on the global village over the years. This article is designated to overview how contagious the policies have been and the effect of the global policies, taking Nigeria as a case study.

For us to know the effect of the global policies, we have to understand the concept of global policies. Global policies are implementations made to make trade easier, faster and smoother. It is believed that trade is the engine of growth in every economy. so as to achieve growth and development in the economy, one must engage in trade. Global policies have been put in place to achieve the perks of economic growth and development. The commonly and prominent form of global policies that is implemented around the word is trade liberalization.

Trade liberalization, according to Investopedia “Trade liberalization is the removal or reduction of restrictions or barriers on the free exchange of goods between nations. These barriers include [tariffs](https://www.investopedia.com/terms/t/tariff.asp), such as duties and surcharges, and nontariff barriers, such as licensing rules and [quotas](https://www.investopedia.com/terms/q/quota.asp). Economists often view the easing or eradication of these restrictions as steps to promote free trade”. The global policies have a magnitude influence on the Nigeria economy, as at today Nigeria is a member of the trade union known as organization of the petroleum of oil exporting countries(OPEC). The purpose of OPEC is to coordinate and unify the petroleum policies of its Member Countries and ensure the stabilization of oil markets in order to secure an efficient, economic and regular supply of petroleum to consumers, a steady income to producers and a fair return on capital for those investing in the petroleum industry." OPEC determine the oil quota, the prices and unifies the petroleum policies. As at today oil accounts for 70% of Nigeria’s Gross domestic product(GDP) it also contributes approximately 80 percent of the Federal Government’s revenue and 90 percent of Nigeria’s export earnings

These statistics helps us understand that globalization has had a real impact on the Nigerian economy, as the economy depends on the exportation of oil to survive. Nigeria is a member of trade union which implements policies such as trade liberalization among its members. As a result of the union policies, Nigeria can trade their oil at a given price which stand at $65 per barrel as at today. It is with no doubt that just as global policies have effect on the global markets, Nigeria is not an exception as statistics has made us know that the exportation of oil which is greatly influenced by policies) of the trade union that she belongs to is the major source of revenue for the country