ESENDU NENGIMOTE

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ECO 410: GLOBALIZATION

**GLOBALIZATION**

Globalisation refers to the integration of markets in the global economy, leading to the increased interconnectedness of national economies.  Markets where globalisation is particularly significant include financial markets, such as capital markets, money and credit markets, and insurance markets, commodity markets, including markets for oil, coffee, tin, and gold, and product markets, such as markets for motor vehicles and consumer electronics. The globalisation of sport and entertainment is also a feature of the late 20th and early 21st centuries.

**EFFECTS OF GLOBALIZATION**

The pace of globalisation has increased for a number of reasons:

1. Developments in IT, transportandcommunications have accelerated the pace of globalisation over the past 40 years. The internet has enabled fast and 24/7 global communication, and the use of containerisation has enabled vast quantities of goods and commodities to be shipped across the world at extremely low cost.
2. The rise of new electronic payments systems, including e-Wallets, pre-pay and mobile pay, e-Invoices and mobile pay apps, also facilitate increased global trade.
3. The emergence of footloose multinational and transnational companies (MNCs and TNCs) and the rise in the significance of global brands such as Microsoft, Apple, Google, Sony, and McDonalds, has been central to the emergence of globalisation. The drive to reduce tax burdens and avoid regulation has also meant the establishment of complex international business structures.

**ADVANTAGES OF GLOBALIZATION**

Globalisation brings a number of potential benefits to international producers and national economies, including:

1. Providing an incentive for countries to specialise and benefit from the application of the principle of comparative advantage. Access to larger markets means that firms may experience higher demand for their products, as well as benefit from economies of scale, which leads to a reduction in average production costs.
2. Globalisation enables worldwide access to sources of cheap raw materials, and this enables firms to be cost competitive in their own markets and in overseas markets. Seeking out the cheapest materials from around the world is called *global sourcing*. Because of cost reductions and increased revenue, globalisation can generate increased profits for shareholders.
3. Globalisation has led to increased flows of inward investment between countries, which has created benefits for recipient countries. These benefits include the sharing of knowledge and technology between countries.
4. In the long term, increased trade is likely to lead to the creation of more employment in all countries that are involved.

**DISADVANTAGES OF GLOBALIZATION**

There are also several potential disadvantages of globalisation, including the following:

1. The over-standardisation of products through global branding is a common criticism of globalisation. For example, the majority of the world’s computers use Microsoft’s Windows operating system. Clearly, standardising of computer operating systems and platforms creates considerable benefits, but critics argue that this leads to a lack of product diversity, as well as presenting barriers to entry to small, local, producers.
2. Large multinational companies can also suffer from diseconomies of scale, such as difficulties associated with coordinating the activities of subsidiaries based in several countries.
3. Jobs may be lost because of the structural changes arising from globalisation. Structural changes may lead to structural unemployment and may also widen the gap between rich and poor within a country.
4. Increased trade associated with globalisation has increased pollution and helped contribute to CO2 emissions and global warming. Trade growth has also accelerated the depletion of non-renewable resources, such as oil.

**DRIVERS OF GLOBALIZATION**

1. Technological Drivers: Technology shaped and set the foundation for modern globalization. Innovations in the transportation technology revolutionized the industry. The most important developments among these are the commercial jet aircraft and the concept of containerisation in the late 1970s and 1980s. Inventions in the area of microprocessors and telecommunications enabled highly effective computing and communication at a low-cost level. Finally the rapid growth of the Internet is the latest technological driver that created global e-business and e-commerce.
2. Political Drivers: Liberalized trading rules and deregulated markets lead to lowered tariffs and allowed foreign direct investments in almost all over the world. The institution of GATT (General Agreement on Tariffs and Trade) 1947 and the WTO (World Trade Organization) 1995 as well as the ongoing opening and privatization in Eastern Europe are only some examples of latest developments.
3. Market Drivers: As domestic markets become more and more saturated, the opportunities for growth are limited and global expanding is a way most organizations choose to overcome this situation. Common customer needs and the opportunity to use global marketing channels and transfer marketing to some extent are also incentives to choose internationalization. (Ferrier, 2004)
4. Cost Drivers: Sourcing efficiency and costs vary from country to country and global firms can take advantage of this fact. Other cost drivers to globalization are the opportunity to build global scale economies and the high product development costs nowadays. (Ferrier, 2004)
5. Competitive Drivers: With the global market, global inter-firm competition increases and organizations are forced to “play” international. Strong interdependences among countries and high two-way trades and FDI actions also support this driver.

**EFFECTS OF GLOBALIZATION ON THE NIGERIAN ECONOMY**

* Since globalization entails trade liberalization, it means that there is free and unrestricted movement of trade, finance and investment across the international border. Globalization allows Nigeria to export and import goods, capital and investment without restriction. Globalization promotes the rapid output growth that will increase national income and as a consequence enhance higher standard of living of developing country like Nigeria.
* Globalization has enriched the world economically, scientifically and culturally. This is because; globalization opens the economies to a wide variety of consumption of goods, new technology and knowledge.

**SOME NEGATIVE EFFECTS INCLUDE:**

* Any adverse global shock in an interdependence world economy affects Nigeria. The propagation mechanism of the oil glut of 1982, 1998 and even 2015 brought decline in the import volume and change in the real price of commodities (oil). Since Nigeria depends heavily on crude oil as the main source of income or foreign exchange earnings, her revenue suffers when there is a global shock.
* The effect of globalization is the fear of uncertainty and volatility on capital formation and productivity growth with its negative consequence on economic growth. There is economic instability as a result of tax on growth and prosperity. This problem of uncertainty is not from within but externally generated and Nigeria has not evolved a good mechanism that can absorb the shocks.
* The social effect of globalization is another fear considered, since globalization is associated with instability of output and employment. Thus there could be fear of job security, which can bring industrial conflicts if any attempt is made to disengage employee

**QUESTION 2**

The 1st example that comes to mind is the Paris Agreement. Here, parties to the UNFCCC reached a landmark agreement to combat climate change and to accelerate the actions and investments needed for a sustainable low carbon future. This brings all nations into a common cause and turn them to adapt to its effects.

This agreement does affect Nigeria greatly because, Nigeria does depend on agriculture to sustain its nation and due to the conflicting climate changes that have occurred over a few years, the Agricultural sector would be greatly affected if this agreement is not implemented and adapted to.

Also in an effort to reduce carbon emission, Nigeria has to change its various production methods and also switch to a cleaner means of production, reduce dependency on fossil fuel and learn waste management. This will cause drastic change in the economy as the country is not readily equipped with both the funds and necessary facilities to make this drastic change as quickly as it is expected to.

REFERENCES

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