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**16/SMS01/029**

**ECO 410**

**GLOBALIZATION**

Globalization is a term used to describe how trade and technology have made the world into a more connected and interdependent place. Globalization also captures in its scope the economic and social changes that have come about as a result. It may be pictured as the threads of an immense spider web formed over millennia, with the number and reach of these threads increasing over time. People, money, material, goods, ideas, and even diseases and devastation have traveled these silken strands, and have done so in greater numbers and with greater speed than ever in the present age.

The web of globalization continue to spin out through the age of revolution , when ideas about liberty , equality and fraternity spread like fire from America to France to Latin America and beyond , it rode the waves of colonization , industrialization and war from the eighteenth to the twentieth century powered by the invention of factories railways , steamboats , cars and planes

With the information age, globalization went into overdrive. Advances in computer and communications technology launched a new global era and redefined what it meant to be connected. The digital revolution massively impacted economies across the world they have become information based and more interdependent. In the modern era, economic success or failure at one focal point of the global web can be felt in every major world economy (society, 2019)

Globalization is deeply controversial, however. Proponents of globalization argue that it allows poor countries and their citizens to develop economically and raise their standards of loving while the opponents of globalization claim that the creation of an unfettered international free market has benefits multinational corporations in the western world at the expense of local enterprises, local cultures, and common people. Resistance to globalization has therefore taken shape both at a popular and at a governmental level as people and governments try to manage the flow of capital, labor, goods and ideas that constitute the current wave of globalization.

To find the balance between costa and benefits associated with globalization, citizens of all nations need to understand how globalization works and the policy choices facing them and their societies ( globalization101, 2020)

INDICATORS AND DRIVERS OF GLOBALIZATION

Advancement in technology is considered to be one of the major drivers of globalization. Technological improvement in the area of transportation and communication has accelerated globalization in recent years .the new era of shipping had started with creation of the world’s first shipping container ship in 1956 ritzier, 2011 as seen in. containerization has significantly reduced transportation costs .which in turn has increased the pace of globalization . The introduction of commercial jet aircraft in the 1970s was what accelerated the transportation of goods among the different regions of the globe. Another major technological development in the 1970s was the advancement of microprocessors and telecommunication and then later on the growth of the internet. The main purpose of internet is to access information, businesses, entertainment and awareness.

Microprocessor and telecommunications: The single most important innovation has been the development of the microprocessor, which enabled the explosive growth of high power, low cost computing, increasing the amount of information that can be processed by individuals and firms. Over the past 30 years, global communications have been revolutionized by the developments in satellites, optical fiber, and wireless technology, and internet and World Wide Web. All these technologies rely on the microprocessor to encode, transmit and decode the vast amount of information that flows along these electronic highways. A phenomenon known as Moore’s law, which predicts that the power of microprocessor technology doubles and its cost of production falls in half of every 18 months. That means the cost of coordinating and controlling a global organization will reduce phenomenally.

The Internet and World Wide Web: this is the latest expression of this development. There are more than 150 million users of the Internet. This will develop into the information backbone of tomorrow’s global economy. Real time video conferencing and commercial transactions can be transmitted through World Wide Web (WWW). WWW will reduce the costs of global communications and it will create a truly global electronic market place of all kinds of goods and services. Such as the soft wares and bulldozers, and this will make it easier for firms of all sizes to enter the global marketplace.

Tis source of globalization provides the easy access to everything in one single click. These are the few examples of technological improvement. Numerous other technological innovations have affected the pace of globalization.

Another major cause of globalization that is attached to lower cost of transportation and communication is the taste of individuals and societies. According to krugman (1980), individuals have same taste in different countries whereas a wide variety of products leads to mutual trade. Taste diversity develop basis for international trade under increasing returns to scale. Economic integration which depends on taste diversification has become possible through cheaper means of transportation. Lower transport and communication can only be exploited through lower trade barriers. Policies aimed at reduction in trade barriers lead to trade liberalization. In addition, deregulation and outward looking reforms considered to be an important source of globalization. In this context several studies pointed out government policies as a driving factor of globalization

Policies directed to financial sector liberalization increase not only capital mobility but also financial integration among different countries. Financial globalization is attributed to capital account liberalization, financial deregulation and financial innovations. Financial globalization creates the mutual borrowing relationship among countries. It can be seen clearly that even the smallest item available in the market has price tags in two types of currency; one local and other is in dollar. Advancements in financial sector increase capital flows around the globe, which is a significant factor of globalization (Lane & Ferretti, 2008; Fofack, 2009; World Bank, 2002).

The process of industrialization in LDCs is also an important source of globalization. According to Harris (1993), significant output growth in Asian countries between the years 1965 to 1988 has not only increased the share of world GDP, but also increased the global capacity of production. Hence, the output growth of LDCs can be taken as a cause of globalization.

Market and competitive drivers are some other related factors of globalization. Markets provide opportunity to national economy to become global economy through common customer need and optimum utilization of resources with the help of global channels. Interdependencies of countries through trade and FDI and the existence of global competition support competitive drivers (ayesha Naz, 2018)

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 labor-abundant and capital-poor. Such a country has an international competitive advantage in manufacturing labor-intensive products. Concerning international division of labor, it will specialize on the production and export of labor-intensive products.

Political decisions: Economic processes are not operating in a political or institutional vacuum. Reducing or even eliminating barriers to trade in goods, services, labor 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. (peterson, 2017)

Decline of Barriers to Trade and Investment

Decline in Trade Barriers

Many of the barriers to international trade took the form of high tariffs on imports of manufactured goods. However, this depressed world demand and contributed to the great depression of the 1930’s.

After World War II, the industrialized countries of the West started a process of removing barriers to the free flow of goods, services, and capital between nations. Under GATT, over 140 nations negotiated even further to decrease tariffs and made significant progress on a number of non-tariff issues (e.g. intellectual property, trade in services). The most recent round of negotiations known as Uruguay round was competed in December 1993. The Uruguay round further reduced trade barriers, covering services as well as manufactured goods provided enhanced protection for patents, trademarks and copyrights and established WTO to police the international trading system. With the establishment of the WTO, a mechanism now exists for dispute resolution and the enforcement of trade laws. Average tariff rates have fallen significantly since 1950’s, and under the Uruguay agreement, they have approached 3.9 percent by 2000.This removal of barriers to trade has taken place in conjunction with increased trade, world output, and foreign direct investment.

Decline in Investment Barriers

The growth of foreign direct investment is a direct result of nations liberalizing their regulations to allow foreign firms to invest in facilities and acquire local companies. With their investments, these foreign firms often also bring expertise and global connections that allow local operations to have a much broader reach than would have been possible for a purely domestic company.

The evidences also suggests that FDI is playing an increasing role in the global economy as firms increase their cross border investments. Between 1985 and 1995 the total annual flow of FDI from all countries increased nearly six fold to $135 billion, a growth rate in the world trade The major investors has been U.S, Japanese, and Western European Companies investing in Europe, Asia, (particularly in China, and India). For example, Japanese auto companies have been investing rapidly in Asian, European, and U.S auto assembly operations.

This also shows that firms around the globe are finding their home markets under attack from foreign competitors. For example, in Japan, Kodak has taken market share from Fuji recent years. In the United States, Japanese firms have taken away market share from General motors, and Chrysler and in Western Europe where the once — dominant Dutch company Philips has seen its market share taken by Japan’s JVC, Matsushita and Sony. The growing integration into a single huge market place is increasing the intensity of competition in a wide range of manufacturing and service industries.

These trends facilitate both the globalization of markets and globalization of production. The lowering trade and investment barriers also allows firms to base individual production activities at the optimal location for that activity, and serving the world market from that location. Thus, a firm might design a product in one country, produce component parts in two another country, assemble the product in yet another country, and then export the finished product around the world. (francis, 2011)

THE USE OF INDICATORS TO MEASURE ECONOMIC GLOBALIZATION

The need to measure economic globalization is now of central concern both for academic circles as for the business environment, the mass, the specialized mass media and policy makers.

Although it is almost impossible to believe that such a complex phenomenon could be described by a single representative figure, this paper attempts to place a theoretical debate on more solid scientific basis (in terms of economic globalization indices). The economic literature provides various instruments devised to measure the extent of how much an economy has been globalized but the most significant indicators are: the KOF Index Globalization (or Axel Dreher's Index), the indices formulated by A.T. Kearney (the ATKFP Index and M-GI), the Index of Globalization created by the Centre for the Study of Globalization and Regionalization (CSGR-Index of Globalization) and the Index of Globalization constructed by World Markets Research Centre.

A. the KOF Index of Globalization Axel Dreher, a researcher at the KOF Swiss Economic Institute, has devised a composite index of globalization basing its work upon the following statement regarding the meaning of globalization: “it is a process that erodes national boundaries, integrates national economies, cultures, technologies and governance, and produces complex relations of mutual interdependence” (Dreher, 2006: 1092). First created by Dreher in 2002, the index was then revised in 2008 by Dreher, Gaston and Martens (2008). The index is considered to be one of the most significant measures of globalization proposed to date. The KOF Index for 2011, computed from 23 variables, offers information regarding the state of globalization for 208 countries for the period 1970–2008. The KOF Index comprises three of the fundamental dimensions of globalization: economic, social, and political. Within these dimensions, Dreher took into consideration six sub categories. Regarding the sub-index for economic globalization it includes on the one hand long distance flows of goods, capital, services and information and, on the other hand, several restrictions

The major disadvantage of the KOF formula for the 2002 version is that every a variables’ actual weight in the index (WI), is to some extent affected by its distribution. Therefore, the results were sometimes influenced by extreme outlying observations or missing values. In order to provide a better comparability over time in the updated version of the index (KOF 2006) the variables are normalized for the whole period and not for each particular year (like the case of the KOF 2002). As regards to the economic dimension of globalization, the KOF Index for 2011 includes two components: on the one hand, it considers the actual flows, and on the other hand, it uses proxies for the restrictions on trade and capital (for details, see Appendix 1). If we look at the KOF index for 2011, we can say that mankind has advanced greatly in the last 40 years. The world has become more globalized, while the United States continued to dominate for a long time the global arena. But not only that humanity as a whole has become more globalized, but many countries have gained access to the globalization. In terms of economic globalization, at global level, the KOF index has increased from 40.18 in 1970 to 64.23 in 2007, while for Romania, the KOF index gradually increased from 29.73 in 1970 to 75.04 in 2007 (an enormous increase of approximately 152%) as shown in Fig. no. 1. In the context of the global economic crisis, effects upon the degree of economic globalization soon appeared, thus recording decreased values for Romania (the index value decreased by 2.8% in 2008 compared to 2007) as well as at global level (decrease 1.5% in 2008).

B. the A.T. Kearney Globalization Index the most well-known and cited index of globalization is the one produced by A.T. Kearney and published annually by the prestigious magazine Foreign Policy. The A.T. Kearney/Foreign Policy Index (ATKFP) is used to make country rankings as to the extent of the process of globalization (economic also). Unlike the KOF index, the ATKFP index comprises four of the fundamental dimensions of globalization: economic integration, technological connectivity, personal contact, and political engagement. To each of these dimensions are assigned two or more variables so that, the overall index uses in total 12 main variables (these variables refer to trade, foreign direct investments, movement of people across borders, telephone and internet traffic etc.). The formula used to calculate the rating for each country (formula 2) involves the normalization of individual variables and subsequent aggregation using an ad hoc weighting system. This way, the index offers a true image of national economies:

According to the latest edition of the Globalization Index publication (2007), the fruit of a seven year collaboration between Foreign Policy Magazine and A.T. Kearney, the ATKFP Globalization Index is calculated for 72 countries (ten more than the 2006 edition) and corresponds to 97% of the global GDP and 88% of the world’s population. In terms of economic globalization, the A.T. Kearney/Foreign Policy index considers two key variables: trade and foreign direct investments (for details, see Appendix 1). After computing the degree of economic globalization using the ATKFP index for a period of four years (2004-2007) one can see that Hong Kong ranks 1st place since its inclusion in the classifications. Another important shift is that of Holland’s returning in the top three states for the first time since 2001. As regards to Romania, after a rapid rise from the 38th position in 2004 to the 11th place in 2006 plunged to 29th place in 2007

C. the Modified Globalization Index (MGI) A complex phenomenon, that encompasses several components that together have a greater effect than the sum of their parts, must be assessed as a whole. Globalization is an example of such complex phenomenon. This is the premise from which Martens and Zywietz (2006) started their work and proposed a composite index to measure globalization. Although indices such as the ones we have analyzed – ATKFP Globalization Index and CSGR Globalization Index – can provide valuable information, they present nevertheless a significant weak point: as regard to the economic dimension of globalization, both indices are focused only on a very specific point of view, namely the neoliberal one (Martens and Zywietz, 2006: 333). This restrictive point of view stems from the narrow definitions of globalization that both indices use (for example, globalization is seen as the “ever closer knitting together of a one world economy”) (Randolph, 2001: 5). The Modified Globalization Index or the „MGI” or „The Maastricht Globalization Index” (Dreher and others, 2008: 29) created by Martens and Zywietz (in a four step process) is considered to be a composite index that provides a comprehensive picture of globalization. The index is considered to be valuable because of the conditions that it fulfills: relevance, robustness, transparency and it adds value (it is not redundant). The MGI Index is based upon the ATKFP-GI index, but is improved both conceptually and operationally and uses data for 117 countries, from a variety of resources and data bases. Unlike the ATKFP-GI index, the two researchers included in their index two new variables: “environment” and “trade in conventional arms”. In regards to the similarity of the MGI Index with the KOF Index, there are many resemblances but there are also methodological differences. For example, while the MGI Index explicitly includes the environmental component, the KOF Index excludes it from the formula because it is considered the result of the other components

In terms of economic globalization, the MGI index considers the following sub/indices (for details, see Appendix 1): global trade (the sum of imports and exports of goods and services as a share of GDP) and global finance (with FDI and gross private capital flows).

D. the Globalization Index developed by the World Markets Research Centre The World Markets Research Centre (WMRC) is company with headquarters in London and provides information regarding the business environment (of 185 countries) for directors of multinational corporations, financial institutions and governments worldwide. Researchers at WMRC have developed in 2001 the “G-Index”. Unfortunately, since then, the database has been updated. However, it has a notable feature for which it was heavily criticized: although the index claims to measure globalization as a whole, it is in fact focused almost exclusively (90%) on the economic dimension of the phenomenon (only 5% of the index is based on telephone traffic and the remaining 5% on Internet traffic). In an attempt to measure the depth and magnitude of a country's economic links with the world, the WMRC analysts reduce the world economy to the two categories of “old economy” and “new economy” (Randolph, 2001). The a priori weights of the “G-Index” lean heavily towards trade and exports, so that the components “international trade” and “service exports” make up 70% of the overall index weight. These features are not to be at all neglected, because they raise the ranks of small trading nations that have huge (transit) trade volumes with respect to their internal economy.

1B Transportation: Improvement in transportation has not only changed the way of businesses but also tourism. Massive container ships and super tankers have taken the scale of trade to higher level. Modern transport is able to carry large quantity of goods including liquid such as petroleum which Nigeria is a large exporter of

Decline in barriers to trade**:** The decline of the barriers to trade has allowed Nigeria to trade with other nations which has allowed the country to sell some of its natural resources such as petroleum, cash crops such as groundnut, crude oil is the largest contributor to the GDP

Communication :has aided the growth of the nation as it can now partake in international business easier as they don’t need to wait for the partners to be present so many investors can invest in the economy without having to come to the country to communicate the world wide web has allowed this to happen

**2** Various transnational companies have affected the environment negatively. The main focus of the companies is profit making at any cost. Besides, they represent a fraction of the worlds’ population, but a great amount of the world’s economy and media to manipulate the world. These points then give the transnational companies a power to limit or control the influence of nation-states and defend their actions in the name of economic development. These dominant forces claim that environmental devastation is necessary for human survival and socio-economic progress. As outlined in the Brundtland report three decades ago, it has been realized that it is impossible to separate economic development issues from environment issues where “many forms of development erode the environmental resources upon which they must be based” (United Nations, 1987, p.19). It is in this sense Misiaszek (2012) argued that the processes of globalization hinders disclosure of the causes of socio-environmental problems which makes looking for solution difficult. This helps the transnational companies to hamper consciousness of the people and continue exploiting the Earth. Conversely, the advocates of solidarity economy state that the planet including its human inhabitants should not be subjected to an economy (free market) based on competition and profit making; rather the economic system should be based on cooperation, sustainability, inclusion and social emancipation (Gadotti, 2008a). The effort of such citizen globalization centers on discovering ways to live with the planet in harmony.

The world is in a state of chaos due to the corona virus outbreak which first started in Wuhan china due to the movement of individuals from china to neighboring countries it has become a global pandemic this can be said to be aided by globalization due to the policies that have been adapted to aid globalization policies such as the decline In trade barriers has aided trade between countries and also movement from one country to another because there is free movement from one country to another due cheap transportation costs and the advancement in technology which has made movement from one country to another easy and distance has been reduced .

Due to the pandemic the is a devaluation of the naira there is a fall in the value of the naira due to the fact that no one is making any purchase from Nigeria due to the restrictions placed because of the pandemic no country is exporting from Nigeria as the demand for the naira has fallen .

A fall in the prices of oil, the petroleum industry is the biggest contributor to the GDP of Nigeria because of the pandemic and the fact that no one would make use of petroleum products at this time the price of petroleum has fallen drastically the GDP of the country is going to fall because the largest contributor to the GDP won’t be able rise up to the task.

Nigeria is an importing country most of the goods consumed in Nigeria are imported but with the inability of the country to import due to the outbreak the demand of consumers will not be met because there are not enough goods to satisfy the consumers

Multiple businesses will be affected by the outbreak because there will be a large loss and businesses are going to suffer due to this and many people will be unemployed those individuals who work in the informal sector will be left without jobs and without a source of income.