

Research Paper

The impact of globalization in location of tertiary activities

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ABSTRACT

This paper examines globalization phenomenon as an inevitable force that cannot be ignored in location of any sector, tertiary activities inclusive. Against this background, good governance has one variable avenue through which the benefits and impact of globalization of tertiary activities can be maximized. The design and implementation of a programme of good governance, which recognizes the interplay of its political, economic and corporate dimensions, is therefore fundamental to the location of all forms of activities especially tertiary. It is evident from this paper that some critical aspects of good governance are sine qua non for globalization as well as economic (tertiary) activities. Here we focus on few themes that appear with some regularity in the literature: Definition of terms; Introduction; Location of Tertiary Activities and Globalization; Effect of Globalization in Location of Tertiary Activities; Globalization in Tertiary Activity: Positive or Negative? Globalization in History of Tertiary Activities and Conclusion.

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INTRODUCTION

Globalization is yet another element in human quest for friction-reducing technology. Its current pace of development, combined the growing importance of information as a resource are likely to have very broad implications on society acting on individuals as well as on social, political and economic system. These are evaluated in terms of potential effects on society and in the context of alternative technologies. On this issue of globalization we have two schools of thought. One group supports globalization as a positive progress and element of western culture. Believers of this school of thought are of the view that globalization improves the well being of society and its members by increasing knowledge, efficient exploitation of resources and freedom of choice. This view is presented by Prehoda (1967), Gabor (1970), Kahn (1976) and Toffler (1981).

In a very different view, the humanistic one is held by those who point at the negative impact of globalization as being greater or as important as the positive impact. Among these are Mumford (1964), Ellu (1967) and Taylor (1973).

Their major criticisms and questions are not the inevitable development but the price the society has to pay for its use. On the 8th of March, Mokhtarian 1990, the president of the United States of America George Bush (senior) endorsed telecommuting; in introducing the statement of national transportation policy, he said, "sometimes the best transportation policy means may not be moving people, but moving their work". This is what globalization has come to do and at the same time, the impact of globalization on tertiary activity is such that all the barriers both natural (physical) and man-made have been drastically minimized.

DEFINITION OF TERMS

Globalization: Is the increasing tendency towards integration of countries into the world economy as well as the contact among enterprises, institutions and people across the national boundaries. The term can also be used to describe or mean the growing worldwide

interdependence of people and countries. The most striking thing about it is the way it has changed social relations globally. Globalization is a generic concept, which has been used to describe a multiplicity of processes and the economic, social, political and cultural dimensions, Nemedi (1998), Kwanashie (1999) and Obadan (1999). The technological pervasive instruments of globalization are: television, internet, telephone and microchip.

Tertiary activities: First and essentially, deals with humans' function in space. The self-evident truth is that tertiary activity is a geographic condition. Tertiary activity is one or those that are not primary or secondary. Tertiary activity can have no meaning without reference to both primary and secondary activities. We do not even need the word 'tertiary' if there are no primary and secondary. Therefore, tertiary activity can be defined by what are not primary or secondary activities. It can also follow that tertiary activity is the residual of human activities. Strictly speaking, the term is associated with services-based economic activity- which includes banking, insurance, transportation, telecommunication, retailing, wholesaling and many others.

Location of tertiary activities and globalization

According to Jones (1980), Johan Heinrich Von Thunen (1783-1850) provided the first systematic theory of economic location in the book *Der Isolierte Staat* (The Isolated State), first published in Germany in 1826. Thunen first posits a perfectly homogenous and isolated plain at the center of which sits a single city, that is, the market for all produce of the plain and all urban goods and services. Every point on the plain is exactly like every other point except with regards to its locational relation to the city. Economic distance is assumed to be a function solely of physical distance. Hence, a circle of a given radius around the city connects all points on the plain of equal economic distance from the urban market. In such an imaginary world, Thunen asks, what would be produced at various locations on the plain? Because the plain is perfectly homogenous, *in situ* production costs are the same everywhere on the plain. Landowners will want to produce that which maximizes the returns to land net of shipping costs. He assumes two commodities such as strawberries and wheat, and he also assumes that shipping costs are a linear function of distance. Even before globalization became so pronounced, Von Thunen's theory was not popular and true of real life situation in this part of the world. With the advent of globalization, the theory became more un-applicable. Globalization has come to break all the barriers that led Thunen to postulate the aforementioned assumptions.

Alfred Weber is another renowned author who is among the first scholars to study location of economic activities. He

used a triangle to explain the 'invisible hand' that is at work, in the location of economic activity, which is generally called Weberian triangle of industrial location. His concern and school of thought was minimization of costs of production. The whole idea of his theory is focusing on the market and the location of raw materials. In a simplified word, he assumed a region of two different places of materials and the market. Figure 1 shows the point of raw material.

He also assumed here that costs are not in terms of money but transportation. Each of the point in the triangle is a potential location of the activity to be carried out. It is worthy to note here that there is a force, that each of the three nodes/locations is exerting a pull, as this happens, a point of equilibrium will determine the point of location. The equilibrium point is also influenced by the nature of activity that is to be cited, that is, whether raw material or market oriented industries. For the purpose of this paper, it is important to note that virtually the location of all tertiary activities are in most cases, market oriented and as such the force of the market is usually stronger and the location is always by the market rather than the location of raw materials. A good example of this is the Global System Mobil (GSM) Communications.

Another group of believers here are those who believe in maximizing profit. Their interest is in the market area, so that they can maximize profit. There is also another theory known as behavioral principle, which says people sometimes could just be satisfiers instead of optimizers, while there is yet another principle which is known as organization principle of industrial location. Notwithstanding, the advancement in information technology and communication (ITC), transportation and the general trend towards the adoption of democratic governance, technological advantages are also associated with globalization. In particular, the opportunities for technological transfer and adaptation are quite high in a globalized world economy characterized by sophisticated information technologies that makes access to a multiplicity of scientific information a very simple feat. At the level of conferring efficiency for instance, advances in information and communication technology have figuratively transformed the world into one global village in which trade transactions can be effected without the need to travel and at minimal cost. While information relating to new industrial products, financial products, peace and war etc in most part of the civilized world can be assessed with just a touch of a button.

Globalization also has the potential benefits resulting from labour migration from one country to another thereby helping to reduce unemployment in countries with excess labour. In particular, labour movement from developed into developing country and vice versa has the potential of facilitating transfer of technology with specific respect to Nigeria, Phillips (1999). It is also true that globalization has caused unemployment in some parts of the world, like

United States of America, Britain and some places in Europe and Asian countries. The tenets of globalization, which has eliminated all spatial barriers in the location of tertiary activities, has given room for multinational companies in those developed countries to move to those places of cheap labour to carry out production while the finished product, which does not require much labour is sent to the indigenous country.

EFFECT OF GLOBALIZATION IN LOCATION OF TERTIARY ACTIVITIES

Globalization has been associated with significant changes in business operations and markets. Managing operations in such an environment has become increasingly complex, especially with the territorial extension of production and consumption. Manufacturing strategies tend to use different locations for each component of a product in order to optimize respective comparative advantages. The transport requirements have proportionally increased as well as the need to organize the related flows. Under such circumstances, transport have a significant role in the location of activities related to distribution, even if evidence underlines that transport plays a lesser role in manufacturing and retailing. The requirement of faster long distance transport services has propelled the importance of air transport, especially for freight. Air terminals have thus become a significant location factor for globally oriented activities, which tend to agglomerate in the vicinity. Technological changes have also been linked with the relocation of industrial and even service activities. Global telecommunication facilities can favour the outsourcing of several services to lower cost locations (Kellner, 1997).

Transport plays an important role in the location of activities, but this role should not be understated or overstated. It is a necessary condition, among others over which social and economic activities relate to. The location of economic activity is *a priori* dependent on the nature of the activity itself and on the location factors it relates to, which fell under attributes of the site, the level of accessibility and the socio-economic environment. Although, each type of economic activity has its own set of location factors, some general factors can be identified by major economic function.

Tertiary economic activities

As stated earlier, it involves the type of activities that is most bound to market proximity, since the capacity to sell a product or service is their most important location factor. As many of these activities are retail-oriented, consumer proximity (as well as their level of income) is primordial and directly related to sales levels. The focus is thus to maximize sales revenues more than to lower transport

costs. The retail industry has significantly changed with the emergence of large retail stores that maximizes sales through economic of scale and local accessibility. E-commerce also provides a new dynamic where information can easily be traded and where niche-retailing markets can be developed in a situation of high product diversity (Shaw, 2001). It is paramount to understand that each sector of economic activity thus has its own criteria, which vary in time and space. Understanding location factors enables a better overview of the dynamics of the global economy and the associated territorial changes at the global, regional and local levels.

Globalization in Tertiary Activity: Positive or Negative?

Globalization-the growing integration of economics and societies around the world-has been one of the most strongly debated topics in international economics over the past few years. Rapid growth and poverty reduction in China, India, and other countries that were poor 20 years ago, has been a positive aspect of globalization. But globalization has also generated significant international opposition over concerns that it has increased inequality and environmental degradation. This provides access to some of the most recent presentation on globalization and some of the leading research on the subject. Globalization has helped to reduce poverty in a large number of developing countries but it must be harnessed better to help the world's poorest, most marginalized countries to improve the lives of their citizens says a new World Bank Research Report published, including quotes from James Wolfensohn, President of the World Bank (December 5th 2001).

The central issue of contention is not globalization itself, nor is it the use of the market as an institution, but the inequality in the overall balance of institutional arrangements-which produces very unequal sharing of the benefits of globalization. The question is not just whether the poor also gain something from globalization, but whether they get a fair share and a fair opportunity (Sen, 2002). Strong markets require significant state and transactional intervention. To be sustained across time they also require stable social relationships and an environment of trust. Moreover, they can be organized and framed so that people throughout different societies can benefit. One commentator has argued that there is a very serious case not against 'globalization', but against the particular version of it imposed by the world's financial elites. The brand currently ascendant needlessly widens gaps of wealth and poverty, erodes democracy, seeds instability, and fails even its own test of maximizing sustainable economic growth (Kuttner, 2002).

The gap between rich and poor countries has widened considerably. However, as Sen (2000) has commented, to 'see globalization as merely western imperialism of ideas

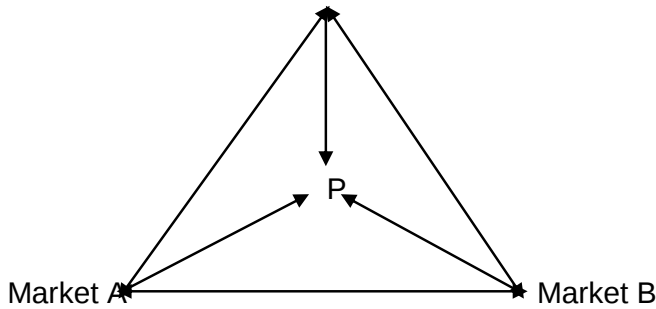


Figure 1. Diagram of central place theory (modified by the authors)

and beliefs (as the rhetoric often suggests) would be a serious and costly error'. He continues: of course, there are issues related to globalization that do connect with imperialism (the history of conquests, colonialism, and alien rule remains relevant today in many ways), and a postcolonial understanding of the world has its merits. Nevertheless, it would be a great mistake to see globalization primarily as a feature of imperialism. It is much bigger-much greater-than that. For example, while the rich and powerful multinationals appears to have grown significantly, neither they, nor individual national governments, have the control over micro-economic forces that they would like. Ecological and technological risks have multiplied. Globalization in the sense of connectivity in economic and cultural life across the world is of a different order to what has gone before. As we said at the start, the speed of communication and exchange, the complexity and size of the networks involved, and the sheer volume of trade, interaction and risk give what we now label 'globalization' a peculiar force.

Globalization and risk

Globalization as well as opening up considerable possibilities, the employment of new technologies, when combined with the desire for profit and this "world-wide" reach, brings with it particular risks. Indeed, writers like Ulrich Beck (1992): have argued that the gain in power from the 'techno-economic progress' is quickly being overshadowed by the production of risks (Risks in this sense can be viewed as the probability of harm arising from technological and economic change). Hazards linked to industrial production, for example, can quickly spread beyond the immediate context in which they are generated. In other words, risks become globalised (Shaw, 2001).

GLOBALIZATION IN THE HISTORY OF TERTIARY ACTIVITIES

Covering a wide range of distinct political, economic, and cultural trends, the term "globalization" has quickly become

one of the most fashionable buzzwords of contemporary political and academic debate. In popular discourse, globalization often functions as little more than a synonym for one more of the following phenomena: the pursuit of classical liberal (or "free market") policies in the world economy ("economic liberalization"), the growing dominance of western (or even American) forms of political, economic, and cultural life ("westernization" or "Americanization"), the proliferation of new information technologies (the 'internet revolution'), as well as the notion that humanity stands at the threshold of realizing one single unified community in which major sources of social conflict have vanished ('global integration'). Fortunately, recent social theory has formulated a more precise concept of globalization than those typically offered by pundits. Although sharp differences continue to separate participants in the ongoing debate, most contemporary social theorists endorse the view that globalization refers to fundamental changes in the spatial and temporal contours of social existence, according to which the significance of space or territory undergoes shifts in the face of a no less dramatic acceleration in the temporal structure of crucial forms of human activity. Geographical distance is typically measured in time. As the time necessary to connect distinct geographical locations is reduced, distance or space undergoes compression or annihilation. The human experience of space is intimately connected to the temporal structure of those activities by means of which we experience space. Changes in the temporality of human life are the basis for which most geographical research is being carried out. Nonetheless, they generally agree that alterations in humanity's experiences of space and time are working to undermine the importance of local and even national boundaries in many areas of human endeavour. Since globalization contains far-reaching implications for virtually every facet of human life, it necessarily suggests the need to rethink the key questions of normative political theory.

The term globalization has only become commonplace in the last two decades, and academic commentators who employed the term as late as the 1970s accurately recognized the novelty of doing so (Modelski, 1972). At least since the advent of industrial capitalism, however, intellectual discourse has been replete with allusions to phenomena strikingly akin to those that have garnered the attention of recent theories of globalization. Nineteenth and twentieth-century philosophy, literature, and social commentary include numerous references to an inchoate yet widely shared awareness that experiences, distance and space are inevitably transformed by the emergence of high-speed forms of transportation, for example, rail and air travel and communication (the telegraph or telephone) that dramatically heighten possibilities for human interaction across existing geographical and political divides, Kern (1983) and Harvey (1989). Long before the introduction of the term globalization into recent popular and scholarly

debate, the appearance of novel high-speed forms of social activity generated extensive commentary about the compression of space.

The juggernaut of industrial capitalism constituted the most basic source of technologies resulting in the annihilation of space, helping to pave the way for "intercourse in every direction, universal interdependence of nations," in contrast to a narrow-minded provincialism that had plagued humanity for untold eons Marx (1979 [1848]: 476). Despite their ills as instruments of capitalist exploitation, new technologies increased possibilities for human interaction across borders ultimately represented a progressive force in history. They provided the necessary infrastructure for a cosmopolitan future socialist civilization, while simultaneously functioning in the present as indispensable organizational tools for a working class destined to undertake a revolution no less oblivious to traditional territorial divisions than the system of capitalist exploitation it hoped to dismantle. Modern society could only be properly understood if the seemingly irrepressible acceleration of basic technological and social processes was given a central place in social and historical analysis (Adams, 1931).

Conclusion

The globalization on tertiary activities may vary depending on the situation and the nature of tertiary activities. The force behind globalization is capitalism. It has integrated the world into capitalist societies leading to emergence of capitalists' economy as the dominant world system. Africa of today is therefore a product of expansion of the capitalist world economy. The disarticulations of Africa by her incorporation into this new world system constitute a major barrier to our development. Globalization can be seen as the great economic event of our era. It has proved to be the most efficient wealth creation; however, the distribution of global wealth has never been fair. Globalization has widened the chasm between rich capitalist world and poor underdeveloped world. The vaunted technological innovation of our era seems unable to deliver structural changes and development in many parts of the world especially Africa. Ideological conflict which has become more intense brings about global terrorism. Domination and dependency is the relationship that exists between Africa and the more developed world, globalization is greatly political rather than economic. Globalization that will benefit Africa and promote her development must therefore provide a richer, healthier and more meaningful lifestyle for Africa individuals' family and advancing the economic objectives and social transformation of African society. It should not be used as an instrument of exploitation and domination, but rather a means of rescuing Africa's tertiary sector from the valley of death, which she has found herself. "If globalization is to

succeed, it must succeed for poor and rich alike. It delivers right no less than riches. It must provide social justice and equity no less than economic prosperity and enhance communication", says Kofi Annan former Secretary General of United Nations (World Bank Research, 2002).

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