

Globalisation, Domestic Economic Conditions, and Economic Growth in Emerging
Markets: A Comparative Empirical Study

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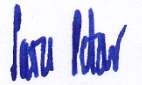
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Dedication

This thesis is dedicated to my family, to my wife, Fausta D’Souza, whose steadfast support, patience, and encouragement have been invaluable throughout this academic journey; to my son, Gregory, and my daughter, Connie, and Rev. Fr. Clifton Lobo, my Spiritual Guide, whose encouragement, love and understanding have been a constant source of motivation and strength, and my extended family of my siblings and cousins, nephews and nieces.

I also dedicate this work to all my professors and teachers, from my early years in school through my university education, whose guidance, mentorship, and commitment to scholarship have profoundly influenced my intellectual and personal growth.

Their collective wisdom and inspiration have been instrumental in shaping the pursuit of knowledge that culminates in this study.

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Abstract

This study examines the relationship between globalisation, domestic economic conditions, and economic growth in selected emerging market economies. The research is positioned within the contemporary debate on globalisation, protectionism, trade restructuring, and domestic economic resilience. Using secondary macroeconomic data, the study analyses globalisation through trade openness and foreign direct investment, while domestic economic conditions are examined through inflation, unemployment, GDP per capita, government expenditure, and population growth. The study adopts a structured quantitative and comparative approach, combining descriptive analysis, correlation analysis, regression modelling, and interpretive comparison.

The findings indicate that globalisation remains an important structural feature of emerging markets, particularly through stable patterns of trade openness. However, foreign direct investment is found to be more volatile and sensitive to global economic conditions. The regression analysis demonstrates that domestic economic variables have a more direct influence on economic growth, especially inflation, unemployment, GDP per capita, and government expenditure.

The comparative analysis further shows that globalisation alone does not fully explain growth variations across emerging markets. Instead, domestic macroeconomic stability and internal economic capacity determine how effectively countries convert global integration into growth outcomes. The study concludes that sustainable economic growth in emerging markets depends on the combined interaction of external integration and domestic economic strength. The findings have implications for policymakers seeking to balance openness with domestic resilience, particularly in an era of global uncertainty, trade fragmentation, and renewed protectionist tendencies.

Keywords

Globalisation; Economic Growth; Emerging Markets; Trade Openness; Foreign Direct Investment; Domestic Economic Conditions; Inflation; Unemployment; GDP per Capita; Protectionism; Macroeconomic Stability.

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CHAPTER 1

INTRODUCTION

1.1 Introductory Remarks

The contemporary global economy is characterised by a dynamic and increasingly complex interaction between globalisation and protectionism. Globalisation has historically been associated with the expansion of international trade, cross-border investment flows, and economic integration, which have collectively contributed to economic growth and structural transformation across nations (Baldwin, 2016; Bhagwati, 2004). Emerging markets, in particular, have leveraged these processes to integrate into global production networks and accelerate development through export-oriented strategies and foreign direct investment inflows (Dollar & Kraay, 2004; Frankel & Romer, 1999).

At a conceptual level, globalisation reflects the intensification of worldwide social and economic relations, linking distant economies through interconnected systems of production, finance, and trade (Giddens, 2009; Robertson, 1992). The advancement of digital technologies and communication systems has further strengthened this integration, enabling firms and economies to operate across borders with increasing efficiency (Baldwin, 2016). As a result, globalisation has been widely regarded as a driver of economic growth, technological diffusion, and productivity enhancement, particularly in developing and emerging economies.

However, the outcomes of globalisation have not been uniform. While some economies have experienced rapid growth and industrialisation, others have faced structural constraints, rising inequality, and vulnerability to external shocks (Milanovic, 2016; Kanbur, 2019). These uneven outcomes have contributed to growing scepticism regarding the benefits of globalisation, particularly in the context of domestic socio-economic challenges and distributional concerns. Consequently, there has been a resurgence of protectionist policies, including tariffs, subsidies, and regulatory barriers, aimed at safeguarding domestic industries and addressing internal economic pressures (Evenett, 2019; Bown, 2020).

The resurgence of protectionism has been further intensified by recent global developments, including trade tensions between major economies, disruptions in global supply chains, and the economic impact of the COVID-19 pandemic (Evenett & Fritz, 2019; Baldwin & Evenett, 2020). These developments have led to a re-evaluation of globalisation strategies and have

raised important questions regarding the sustainability and resilience of open economic systems. In particular, emerging markets face a complex policy environment in which they must balance the benefits of global integration with the need to maintain domestic economic stability and policy autonomy (Rodrik, 2011; Stiglitz, 2017).

In this context, the relationship between globalisation, protectionism, and economic growth has become increasingly nuanced. Squalli and Wilson (2011) state that traditional economic theories suggest that trade openness and international integration contribute positively to economic growth. However, empirical evidence indicates that these relationships are contingent upon a range of mediating factors, including institutional quality, governance structures, and domestic economic conditions (Acemoglu & Robinson, 2012; Rodrik, Subramanian, & Trebbi, 2004). This suggests that neither globalisation nor protectionism can be evaluated in isolation, and their effects on economic growth must be understood within a broader structural and institutional framework.

The present study seeks to examine this complex interplay by analysing the relative influence of globalisation and protectionist or domestic economic conditions on economic growth in emerging markets. The study adopts an integrated approach that combines analytical interpretation with empirical examination, thereby addressing the limitations of purely theoretical or purely statistical analyses. This approach is particularly relevant in light of existing research, which often fails to capture the multidimensional nature of economic growth in emerging economies.

1.2 Background of the Study

The evolution of globalisation has occurred in multiple phases, each shaped by changing economic, political, and technological conditions. The late nineteenth century marked an early phase of global integration characterised by increased trade and capital mobility. This period was followed by a phase of de-globalisation during the interwar years, driven by protectionist policies and economic instability (Irwin, 2020). The post-World War II era witnessed the establishment of a rules-based international economic system, which facilitated trade liberalisation and economic cooperation among nations.

The latter part of the twentieth century saw a significant acceleration of globalisation, driven by technological advancements, policy reforms, and the expansion of multinational corporations. This period also witnessed the integration of emerging markets into the global

economy, leading to shifts in global production patterns and the emergence of new economic centres (Nayyar, 2013; Baldwin, 2020). The development of global value chains enabled countries to specialise in specific stages of production, thereby enhancing efficiency and promoting economic growth (Gereffi, 2018).

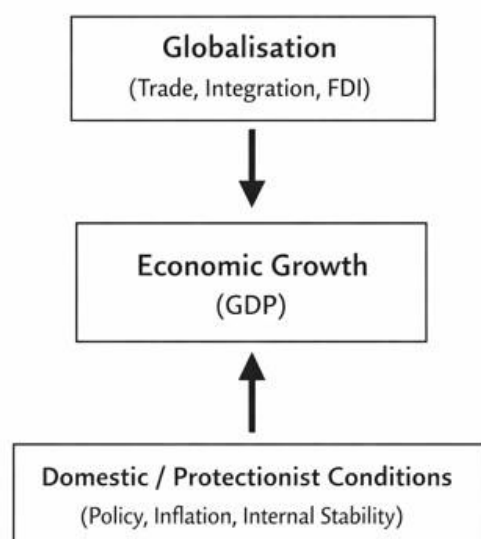


Figure 1.1: Conceptual Framework of the Study

vulnerabilities in the global economic system. The crisis highlighted the risks associated with excessive dependence on global financial markets and underscored the importance of domestic economic resilience (Stiglitz, 2017). In the aftermath of the crisis, several countries adopted policies aimed at stabilising domestic economies, some of which involved a shift towards protectionist measures.

More recently, geopolitical tensions, trade conflicts, and disruptions in global supply chains have further contributed to the re-emergence of protectionism. These developments have raised concerns regarding the future of globalisation and have prompted scholars and policymakers to reconsider the balance between openness and domestic economic control (Evenett, 2019; Bown, 2020). In this context, emerging markets face the challenge of navigating a complex and evolving global economic environment, where the benefits of global integration must be weighed against potential risks and uncertainties.

1.3 Problem Statement

The relationship between globalisation and economic growth has been extensively examined in economic literature, with a dominant view suggesting that increased openness to trade and investment fosters economic expansion and development. Empirical studies have demonstrated that countries engaged in international trade tend to experience higher growth rates due to improved resource allocation, technological diffusion, and access to global markets (Dollar & Kraay, 2004; Frankel & Romer, 1999). However, this relationship is neither uniform nor universally applicable, particularly in the context of emerging markets.

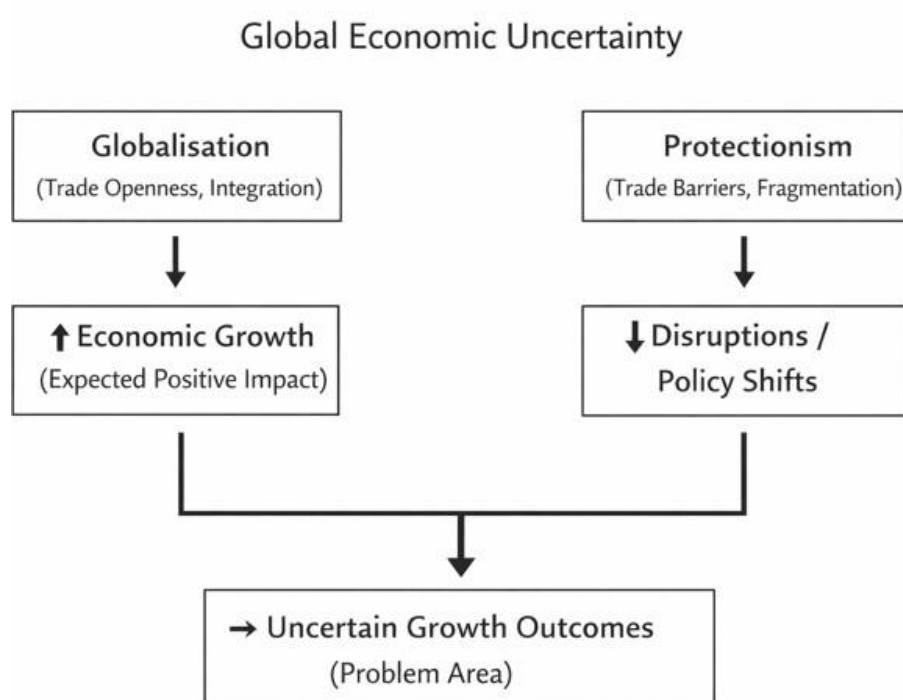


Figure 2: Global Economic Uncertainty, Frankel & Romer, 1999

Emerging economies exhibit significant heterogeneity in terms of institutional capacity, governance structures, and economic resilience. While some countries have successfully leveraged globalisation to achieve rapid industrialisation and growth, others have struggled to translate openness into sustained economic development (Acemoglu & Robinson, 2012; Rodrik, Subramanian, & Trebbi, 2004). This variation raises important questions regarding the underlying conditions that determine the effectiveness of globalisation as a growth strategy.

At the same time, the resurgence of protectionist policies has introduced an additional layer of complexity to the global economic environment. Governments have increasingly adopted

inward-oriented policies in response to domestic economic pressures, geopolitical tensions, and concerns related to inequality and employment (Evenett, 2019; Bown, 2020). These policies are often justified as necessary measures to protect domestic industries and maintain economic stability. However, the long-term implications of protectionism for economic growth remain contested, with some studies suggesting negative impacts on efficiency and competitiveness, while others highlight potential short-term benefits in specific contexts (Rodrik, 2018; Irwin, 2020).

Furthermore, recent global disruptions, including trade conflicts and supply chain shocks, have challenged the traditional assumptions underlying globalisation. The increasing fragmentation of global trade systems and the emergence of regional economic blocs have altered the dynamics of international economic relations (Baldwin & Evenett, 2020; Evenett & Fritz, 2019). These developments have raised concerns regarding the sustainability of globalisation and have prompted a re-evaluation of its role in shaping economic growth.

Another critical issue lies in the limitations of existing empirical models used to analyse the relationship between globalisation, protectionism, and economic growth. Many studies rely on macroeconomic indicators that capture only a partial representation of complex economic processes. As a result, these models often fail to fully explain variations in growth outcomes across countries, particularly in the presence of structural and institutional differences (Milanovic, 2016; Kanbur, 2019). This limitation highlights the need for a more integrated approach that combines theoretical insights with empirical analysis.

In light of these challenges, the central problem addressed in this study is the lack of a comprehensive understanding of how globalisation and protectionist or domestic economic conditions interact to influence economic growth in emerging markets. While existing literature provides valuable insights into individual components of this relationship, there remains a gap in integrating these perspectives into a cohesive analytical framework. The present study seeks to address this gap by examining the relative contribution of globalisation and domestic economic conditions to growth outcomes, using a combination of analytical interpretation and empirical examination.

1.4 Significance of the Study

The significance of this study lies in its attempt to provide a balanced and context-sensitive understanding of the relationship between globalisation, protectionism, and economic growth

in emerging markets. As the global economic environment becomes increasingly complex and uncertain, there is a growing need for research that moves beyond simplistic assumptions and captures the multidimensional nature of economic development.

From a theoretical perspective, this study contributes to the existing literature by integrating insights from multiple strands of economic thought, including trade theory, institutional economics, and development economics. By examining the interaction between globalisation and domestic economic conditions, the study offers a more nuanced understanding of growth dynamics, particularly in the context of emerging economies (Rodrik, 2011; Acemoglu & Robinson, 2012). This integration is important because it addresses the limitations of traditional models that treat globalisation as a uniformly beneficial process.

From an empirical perspective, the study provides evidence on the extent to which globalisation and domestic economic conditions influence economic growth. By employing a combination of descriptive analysis and regression techniques, the study offers insights into the relative importance of these factors and highlights the limitations of relying solely on macroeconomic indicators. This is particularly relevant in light of recent research suggesting that economic outcomes are shaped by a combination of external and internal factors, rather than any single determinant (Chang, Kaltani, & Loayza, 2009; Alfaro et al., 2004).

From a policy perspective, the findings of this study have important implications for policymakers in emerging markets. As governments navigate the challenges of global economic integration and domestic economic management, understanding the relative impact of globalisation and protectionism becomes critical. The study provides insights that can inform policy decisions related to trade, investment, and economic reform, helping policymakers strike a balance between openness and domestic economic stability (UNCTAD, 2021; World Bank, 2020).

Furthermore, the study is significant in the context of contemporary global challenges, including economic inequality, supply chain disruptions, and geopolitical tensions. By examining these issues through the lens of emerging markets, the study contributes to a broader understanding of global economic dynamics and highlights the need for adaptive and context-specific policy approaches.

1.5 Research Objectives, Questions, and Hypotheses

Research Objectives

The present study is guided by the following objectives:

Objective 1

To examine the impact of globalisation on economic growth in emerging markets.

Objective 2

To analyse the influence of domestic economic conditions on economic growth in emerging markets.

Objective 3

To compare the relative contribution of globalisation and domestic economic conditions in explaining economic growth in emerging markets.

Research Questions

The study seeks to address the following research questions:

RQ1

How does globalisation influence economic growth in emerging markets?

RQ2

What is the impact of domestic economic conditions on economic growth in emerging markets?

RQ3

Which approach, globalisation or domestic conditions, better explains variations in economic growth in emerging markets?

Research Hypotheses

Based on the above objectives and research questions, the following hypotheses are formulated:

H1

Globalisation has a significant relationship with economic growth in emerging markets.

H2

Domestic economic conditions have a significant relationship with economic growth in emerging markets.

H3

The explanatory contribution of globalisation and domestic economic conditions differs across emerging markets.

H4

Economic growth in emerging markets is influenced by the combined interaction of globalisation and domestic economic conditions rather than by either factor in isolation.

1.6 Scope of the Study

This study focuses on emerging market economies, which are characterised by rapid economic development, increasing integration into the global economy, and evolving institutional frameworks. The analysis is based on secondary data obtained from international databases, including the World Bank and related sources. The study examines the relationship between globalisation, domestic economic conditions, and economic growth within a defined time frame, with particular emphasis on recent economic trends.

The scope of the study is limited to macroeconomic analysis and does not include sector-specific or firm-level investigations. While this approach allows for a broad comparative perspective, it also implies certain limitations in capturing micro-level dynamics. Nevertheless, the study provides valuable insights into the broader economic forces shaping growth in emerging markets.

1.7 Structure of the Thesis

The thesis is organised into six chapters.

Chapter 1 provides an introduction to the study, including the background, problem statement, objectives, research questions, hypotheses, and scope.

Chapter 2 presents a comprehensive review of the literature on globalisation, protectionism, economic growth, and related theoretical and empirical perspectives.

Chapter 3 outlines the research methodology, including the research design, data sources, and analytical techniques used in the study.

Chapter 4 presents the results of the empirical analysis.

Chapter 5 discusses the findings in relation to the research objectives and existing literature.

Chapter 6 concludes the study by summarising the key findings, discussing implications, and suggesting directions for future research.

CHAPTER 2

LITERATURE REVIEW

2.1 Introduction

The relationship between globalisation, protectionism, and economic growth has been one of the most widely debated themes in contemporary economic research. Over the past several decades, the expansion of global trade, cross-border investment, and financial integration has reshaped national economies and contributed to the increasing interconnectedness of markets. Globalisation has often been associated with enhanced efficiency, productivity gains, and accelerated economic growth, particularly in emerging markets that have integrated into the global economic system. At the same time, the uneven distribution of its benefits and the exposure to external shocks have generated concerns regarding its long-term sustainability and inclusiveness (Rodrik, 2011; Stiglitz, 2017).

In contrast to the liberalisation-driven narrative of globalisation, protectionism has re-emerged as a significant force in the global economy. Governments across both developed and developing countries have increasingly adopted policies aimed at safeguarding domestic industries, ensuring economic stability, and reducing dependence on external markets. These measures include tariffs, subsidies, regulatory barriers, and, Krugman (1995) more recently, strategic industrial policies and digital restrictions. The resurgence of protectionism reflects not only economic considerations but also political and institutional dynamics, including concerns over employment, inequality, and national security (Irwin, 2020; Evenett, 2019).

The coexistence of globalisation and protectionism presents a complex and often contradictory landscape for economic growth. While globalisation promotes openness and integration, protectionism emphasises control and domestic resilience. Emerging markets, in particular, face the challenge of balancing these competing forces, as their growth trajectories depend both on access to global markets and on the strength of domestic economic conditions. The outcomes of these interactions are highly context-specific, influenced by institutional quality, policy frameworks, and structural characteristics of individual economies (Acemoglu & Robinson, 2012).

The existing body of literature provides diverse and sometimes conflicting perspectives on the impact of globalisation and protectionism on economic growth. Classical and modern trade theories generally support the positive effects of openness, whereas structural and dependency perspectives highlight the potential for unequal outcomes and limited development gains. Empirical studies further suggest that the relationship between openness and growth is conditional, depending on factors such as financial development, governance, and macroeconomic stability (Frankel & Romer, 1999; Chang, Kaltani, & Loayza, 2009).

In recent years, the global economic environment has undergone significant transformations that have intensified the complexity of this relationship. The rise of global value chains, digitalisation, geopolitical tensions, and trade conflicts has altered traditional patterns of international economic interaction. These developments have led to increased uncertainty and have raised questions regarding the future trajectory of globalisation and its implications for economic growth, particularly in emerging markets (Baldwin, 2016; Bown, 2020).

Given these dynamics, there is a growing need for a comprehensive and integrated analysis that examines the interplay between globalisation, protectionism, and domestic economic conditions. Rather than viewing these factors in isolation, the present study adopts a multidimensional perspective that considers their combined influence on economic growth. This approach is particularly relevant for emerging markets, where the interaction between external integration and internal economic structures plays a critical role in shaping development outcomes.

Accordingly, this chapter provides a structured review of the literature on globalisation, protectionism, and economic growth. It synthesises theoretical frameworks, empirical findings, and contemporary developments to establish a coherent foundation for the study. The chapter progresses from conceptual and theoretical discussions to empirical evidence and modern economic trends, culminating in the identification of key research gaps that justify the need for the present investigation.

2.2 Literature Review Framework

The present chapter adopts a structured and thematic approach to reviewing the literature on globalisation, protectionism, and economic growth, with particular emphasis on emerging

market economies. Given the multidimensional nature of the research problem, the literature is organised in a manner that integrates conceptual, theoretical, empirical, and contemporary perspectives to develop a comprehensive understanding of the subject.

The framework of this review is designed to ensure a logical progression from foundational concepts to advanced analytical insights. The chapter begins by establishing the conceptual foundations of globalisation and protectionism, defining their scope, characteristics, and relevance within the global economic system. This is followed by a historical examination of the evolution of globalisation and protectionist policies, providing context for understanding their current manifestations and implications.

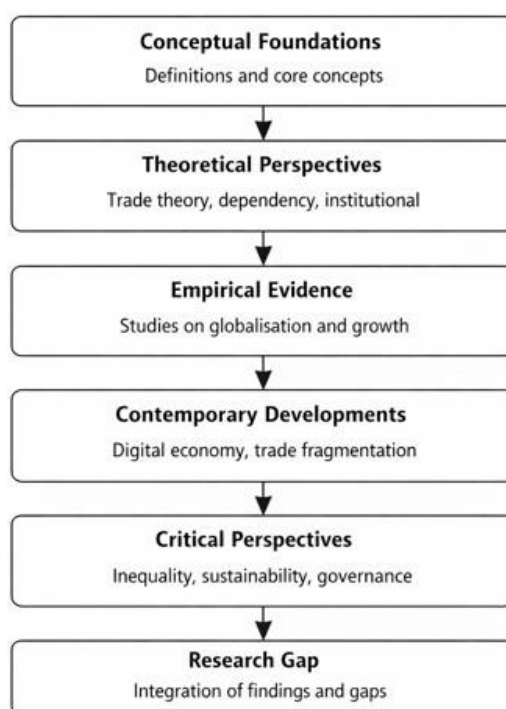


Figure 2.1: Literature Review Framework

Figure 3 : Literature Review Framework

Subsequently, the review explores key theoretical perspectives that underpin the study. These include classical and modern trade theories, structural and dependency frameworks, and institutional approaches. Together, these theoretical lenses provide a balanced understanding of both the potential benefits and limitations of global economic integration. The inclusion of multiple perspectives ensures that the analysis does not remain confined to a single theoretical viewpoint, but instead reflects the complexity of the global economic environment.

Building on the theoretical foundation, the chapter then examines empirical evidence on the relationship between globalisation and economic growth, particularly in emerging markets. This includes a detailed analysis of foreign direct investment, financial integration, and domestic economic conditions as key determinants of growth. By integrating empirical findings with theoretical insights, the review highlights the conditional and context-dependent nature of economic outcomes.

The framework further extends to contemporary developments that have reshaped the global economic landscape. These include the emergence of global value chains, the rise of digital economies, increasing trade fragmentation, and evolving forms of protectionism. The inclusion of these themes ensures that the review remains relevant to current economic realities and captures recent shifts in global economic dynamics.

In addition, the chapter incorporates broader developmental perspectives by examining issues related to inequality, sustainability, and inclusive growth. These dimensions are critical for understanding the wider implications of globalisation and protectionism beyond purely economic outcomes. The review also considers critical and alternative perspectives that challenge conventional economic narratives, thereby enhancing the depth and scope of the analysis.

The final sections of the chapter synthesise the reviewed literature in relation to the objectives of the study and identify key research gaps. This structured synthesis provides a clear link between existing knowledge and the present research, ensuring that the study is grounded in a well-defined academic context.

The literature review framework is designed to provide a coherent and integrated analysis of globalisation, protectionism, and economic growth. By systematically organising diverse strands of literature, the framework supports the development of a comprehensive understanding of the research problem and establishes a strong foundation for the subsequent chapters.

2.3 Conceptualising Globalisation and Protectionism

Globalisation and protectionism are often presented as opposing paradigms within the discourse on international political economy, yet their relationship is far more intertwined than

such a binary framing suggests. The expansion of cross-border trade, capital mobility, and technological diffusion has deepened economic interdependence across nations, positioning globalisation as a defining feature of the modern economic system. At the same time, recurring episodes of economic uncertainty, uneven development, and political resistance have sustained the relevance of protectionist policies, particularly within emerging economies.

The conceptualisation of globalisation extends beyond the narrow confines of trade liberalisation. It encompasses a broader transformation in the organisation of economic activity, marked by the integration of production systems, the increasing influence of multinational enterprises, and the acceleration of knowledge and information flows. Giddens (2009) and Robertson (1992) situate globalisation within a wider sociological context, emphasising the intensification of global interconnectedness and the compression of time and space. Within economic analysis, however, the focus shifts toward the mechanisms through which openness influences productivity, efficiency, and growth. Baldwin (2016) highlights the fragmentation of production and the emergence of globally distributed value chains, which

performance. Frankel and Romer (1999) demonstrate that countries more integrated into global trade tend to exhibit higher income levels, attributing this relationship to improved resource allocation and market expansion. Similarly, Dollar and Kraay (2004) associate globalisation with poverty reduction and growth in developing economies, particularly where institutional

conditions support effective participation in global markets. These contributions collectively frame globalisation as a catalyst for development, especially in economies seeking to accelerate structural transformation.

Yet, the assumption of universally positive outcomes has been consistently challenged. Rodrik (2011) questions the notion of a one-size-fits-all model of global integration, arguing that the benefits of globalisation are contingent upon domestic institutional capacity and policy choices. Stiglitz (2017) further draws attention to the distributional consequences of globalisation, noting that gains are often unevenly allocated across sectors and social groups. These critiques shift the focus from aggregate growth outcomes to the underlying conditions that determine who benefits and who does not.

Protectionism emerges within this context not merely as a reactionary policy stance but as a strategic response to the perceived limitations of globalisation. Traditional interpretations associate protectionism with tariffs, quotas, and subsidies aimed at shielding domestic industries from foreign competition. Irwin (2020) traces the historical use of such measures, demonstrating that even advanced economies have relied on protectionist instruments during critical phases of industrial development. Chang (2002) reinforces this argument through the infant industry perspective, suggesting that temporary protection can enable domestic industries to build competitive capabilities.

More recent scholarship expands the conceptual boundaries of protectionism. Evenett (2019) documents the proliferation of non-tariff measures, regulatory interventions, and state-led industrial policies that influence international trade without relying on conventional barriers. The shift toward strategic sectors, digital governance, and supply chain security reflects a broader reorientation of economic policy, particularly in response to geopolitical tensions and technological competition. In this sense, protectionism is no longer confined to trade restrictions but encompasses a wider set of tools aimed at shaping domestic economic resilience.

Rather than operating as mutually exclusive frameworks, globalisation and protectionism frequently coexist within national policy regimes. Governments often pursue outward-oriented strategies to attract investment and integrate into global markets while simultaneously implementing domestic safeguards to stabilise key sectors. Rodrik (2018) characterises this

duality as an inherent feature of economic policy, where the demands of global integration must be balanced against domestic priorities. This interplay is especially evident in emerging markets, where reliance on external growth drivers is accompanied by structural vulnerabilities that necessitate policy intervention.

The evolving nature of the global economy further complicates this relationship. The rise of digital technologies, the restructuring of global value chains, and the increasing politicisation of trade have blurred the boundaries between openness and control. Policies governing data flows, technological standards, and strategic industries illustrate how integration and restriction can operate simultaneously within the same economic framework. These developments suggest that the conceptual distinction between globalisation and protectionism is becoming less rigid, giving way to more hybrid forms of economic governance.

For emerging economies, this conceptual complexity carries significant implications. Integration into the global economy offers opportunities for growth, technological upgrading, and market expansion. At the same time, exposure to external volatility and structural constraints necessitates a degree of policy flexibility. The interaction between globalisation and protectionism, therefore, cannot be understood as a simple trade-off but must be examined as a dynamic process shaped by economic structures, institutional capacity, and strategic decision-making.

This broader conceptual understanding provides the foundation for analysing how globalisation and protectionism influence economic growth. It also underscores the importance of examining these forces in conjunction rather than isolation, particularly in the context of emerging markets where their interaction plays a decisive role in shaping development outcomes.

2.4 Historical Evolution of Globalisation and Protectionism

The contemporary debate surrounding globalisation and protectionism cannot be fully understood without situating it within its historical trajectory. The interaction between economic openness and domestic protection has evolved through distinct phases, each shaped by shifting political priorities, technological advancements, and structural transformations in the global economy. Rather than representing a linear progression toward integration, the history of globalisation reveals cycles of expansion, disruption, and reconfiguration.

The late nineteenth and early twentieth centuries are often identified as the first major phase of globalisation. During this period, advances in transportation and communication facilitated the expansion of international trade and capital flows, particularly under the influence of European industrial powers. O'Rourke and Williamson (1999) describe this era as one of unprecedented economic integration, characterised by declining trade barriers and increasing cross-border mobility of goods and capital. However, this openness was unevenly distributed and closely tied to colonial structures, which shaped trade patterns and reinforced asymmetrical economic relationships.

The interwar period marked a sharp departure from this trajectory. Economic instability following the First World War, combined with the Great Depression, led to a widespread retreat from global integration. Rickard (2025) states that countries increasingly turned toward protectionist policies in an attempt to shield domestic economies from external shocks. The imposition of tariffs and trade restrictions, exemplified by measures such as the Smoot–Hawley Tariff in the United States, contributed to a contraction in global trade and deepened economic fragmentation. Kindleberger (1973) and Eichengreen and Irwin (2010) highlight how the absence of coordinated international leadership during this period exacerbated the collapse of the global trading system.

In the aftermath of the Second World War, a new institutional framework emerged to stabilise and rebuild the global economy. The Bretton Woods system, along with the establishment of institutions such as the International Monetary Fund and the General Agreement on Tariffs and Trade, laid the foundation for a more structured form of global economic governance. Ruggie (1982) characterises this phase as one of “embedded liberalism,” where countries pursued trade liberalisation while retaining the ability to implement domestic policies aimed at economic stability and social welfare. This balance between openness and domestic intervention became a defining feature of the post-war economic order.

The latter part of the twentieth century witnessed the acceleration of globalisation under the influence of neoliberal economic policies. Trade liberalisation, financial deregulation, and the expansion of multinational corporations contributed to a significant increase in global economic integration. Bhagwati (2004) and Krugman (1995) associate this phase with efficiency gains and the expansion of global markets, while Baldwin (2016) emphasises the

transformation of production systems through the emergence of global value chains. Developing and emerging economies increasingly integrated into the global economy during this period, often through export-oriented growth strategies.

At the same time, this phase of globalisation generated new forms of vulnerability and inequality. The liberalisation of capital flows exposed economies to financial volatility, while the restructuring of production led to shifts in labour markets and income distribution. Stiglitz (2017) argues that the benefits of globalisation during this period were unevenly distributed, contributing to rising inequality both within and across countries. These tensions laid the groundwork for the re-emergence of protectionist sentiments in subsequent decades.

The early twenty-first century has been characterised by a more complex and fragmented globalisation process. While global integration has continued in many forms, it has been accompanied by increasing geopolitical tensions, financial crises, and policy uncertainty. The global financial crisis of 2008 exposed the vulnerabilities of highly interconnected financial systems, prompting a reassessment of the risks associated with unrestricted integration. Rodrik (2011) notes that this period marked a shift toward greater scepticism regarding the sustainability of globalisation as a development strategy.

More recently, trade conflicts and geopolitical rivalries have further altered the landscape of international economic relations. The escalation of trade tensions between major economies has led to the resurgence of tariffs, subsidies, and other forms of economic intervention. Evenett (2019) and Bown (2020) document the increasing use of such measures, highlighting a gradual shift away from multilateral cooperation toward more fragmented and regionally oriented systems. These developments suggest that the current phase of globalisation is being reshaped rather than reversed, with new forms of integration coexisting alongside renewed protectionist tendencies.

Technological change has also played a significant role in redefining the contours of globalisation. The rise of digital technologies has enabled new forms of economic integration that are less dependent on physical trade flows. At the same time, these developments have introduced new regulatory challenges and have given rise to emerging forms of digital protectionism. The historical evolution of globalisation, therefore, cannot be understood solely

in terms of trade and capital flows but must also account for the changing nature of technology and its impact on economic interaction.

Across these different phases, a recurring pattern becomes evident: periods of increasing openness are often followed by phases of consolidation or retrenchment. Protectionism, rather than being an anomaly, has consistently emerged as a response to the perceived limitations and risks of globalisation. This cyclical dynamic underscores the need to view globalisation and protectionism not as mutually exclusive alternatives but as interconnected elements of a broader economic process.

For emerging markets, the historical evolution of these forces provides important context for understanding current policy choices. Integration into the global economy has offered opportunities for growth and development, yet it has also exposed structural vulnerabilities that require careful management. The balance between openness and protection remains a central challenge, shaped by both historical experience and contemporary economic realities.

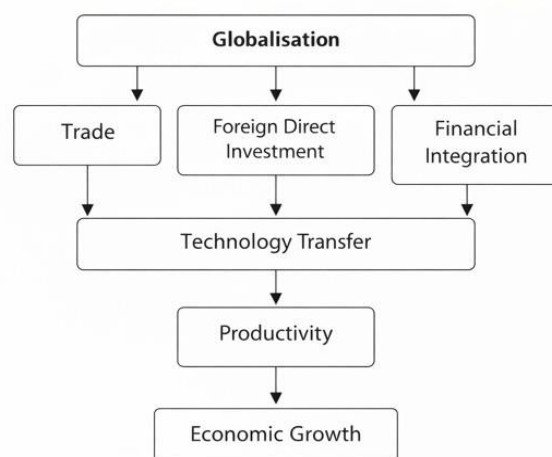
This historical perspective sets the stage for a deeper examination of the theoretical foundations that explain how globalisation and protectionism influence economic outcomes. It also reinforces the need to analyse these forces within a broader framework that accounts for institutional, structural, and contextual factors.

2.5 Theoretical Foundations of the Study

The relationship between globalisation, protectionism, and economic growth has been examined through a range of theoretical perspectives, each offering distinct interpretations of how economies integrate, develop, and respond to external pressures. These perspectives do not converge into a single explanatory model; rather, they reflect differing assumptions about market efficiency, structural constraints, and the role of institutions in shaping economic outcomes. For a study focused on emerging markets, engaging with this diversity is essential, as growth trajectories in such contexts are rarely explained by a single theoretical lens.

The dominant discourse on globalisation is rooted in classical and modern trade theories, which emphasise efficiency, specialisation, and gains from openness. These frameworks have traditionally supported the argument that integration into global markets enhances productivity and accelerates economic growth. At the same time, alternative perspectives, particularly those emerging from structuralist and dependency traditions, challenge this view by highlighting asymmetries in the global economic system and the persistence of unequal development outcomes.

Institutional approaches introduce an additional dimension by shifting attention toward governance structures, policy frameworks, and regulatory environments. From this standpoint, the impact of globalisation is not determined solely by the degree of openness, but by the capacity of domestic institutions to manage and channel external economic forces. This perspective becomes particularly relevant in emerging markets, where institutional variation significantly influences development outcomes.



The role of protectionism further complicates the theoretical landscape. While often treated as a deviation from optimal market conditions, protectionist policies have also been interpreted as strategic tools that may support domestic development under certain conditions. Contemporary debates extend this discussion beyond traditional trade barriers, incorporating industrial policy, technological regulation, and economic nationalism as key elements of modern economic strategy.

Taken together, these theoretical strands provide a multi-layered framework for analysing the interaction between globalisation, protectionism, and economic growth. Rather than privileging one perspective over another, the present study adopts an integrative approach that draws on their complementary insights. This allows for a more nuanced understanding of how external integration and domestic conditions jointly shape economic outcomes, particularly within the complex and evolving context of emerging markets.

2.5.1 Classical and Modern Trade Theories

The intellectual foundations of globalisation are deeply rooted in classical and modern theories of international trade, which have long attempted to explain why nations engage in exchange and how such interactions influence economic performance. These theories, while differing in assumptions and scope, collectively frame openness as a mechanism through which efficiency gains and economic growth can be realised.

The classical theory of comparative advantage, most closely associated with Ricardo (2004), remains central to this discourse. Its core proposition is deceptively simple: countries benefit from specialising in the production of goods for which they hold a relative efficiency advantage, even when they may be less efficient in absolute terms across all sectors. This insight shifted the focus of trade from competition to specialisation, positioning international exchange as mutually beneficial. Within this framework, globalisation is seen as an extension of market logic beyond national boundaries, enabling more efficient allocation of resources and higher aggregate output.

Subsequent developments in trade theory expanded this perspective by addressing its limitations. Early formulations assumed perfect competition, constant returns to scale, and immobility of capital, conditions that rarely hold in practice. The emergence of modern trade

theory, particularly through the work of Krugman (1995), introduced increasing returns to scale and imperfect competition into the analysis. Trade, in this context, is not driven solely by differences between countries, but also by firm-level strategies, product differentiation, and market size. This shift helped explain why countries with similar factor endowments engage in substantial trade with one another, a pattern not adequately captured by classical models.

The implications of these developments extend directly into the dynamics of globalisation. Rather than simply facilitating exchange, trade becomes a driver of industrial concentration, innovation, and productivity growth. Firms operating in larger markets are able to exploit economies of scale, invest in technology, and enhance competitiveness.

Baldwin's work on the "second unbundling" further refines this argument by showing how advances in communication and coordination technologies have enabled the geographical fragmentation of production. Under such conditions, countries are no longer required to specialise in entire industries but can integrate into specific stages of production, often within global value chains.

Empirical contributions have reinforced the central claims of these theoretical frameworks, although not without qualification. Frankel and Romer (1999) provide evidence linking trade openness to higher income levels, suggesting that integration into global markets contributes to long-term growth. Similarly, Dollar and Kraay (2004) argue that globalisation has played a role in reducing poverty in developing economies, particularly where trade reforms have been accompanied by supportive domestic policies. These findings have been influential in shaping policy prescriptions that favour liberalisation as a pathway to development.

At the same time, the assumptions underlying these models have been subject to sustained critique. One line of argument questions the extent to which gains from trade are evenly distributed within economies. While aggregate output may increase, the reallocation of resources across sectors can generate adjustment costs, particularly for labour. This has been evident in cases where industries exposed to international competition experience decline, leading to regional disparities and social dislocation. The classical framework, with its focus on aggregate welfare, offers limited insight into these distributional consequences.

Another critique concerns the conditions under which comparative advantage is realised. The theory assumes that countries can move resources efficiently between sectors and that markets function without significant distortions. In many emerging markets, however, structural rigidities, institutional weaknesses, and limited access to capital constrain such adjustments. Under these circumstances, the benefits of openness may not materialise as predicted, or may do so unevenly.

These limitations have given rise to alternative interpretations that place greater emphasis on policy and strategic intervention. The infant industry argument, for instance, challenges the notion that immediate exposure to global competition is always beneficial. Chang (2002) argues that many of today's advanced economies historically relied on protectionist measures to nurture domestic industries before embracing free trade. This perspective introduces a temporal dimension to trade policy, suggesting that the sequencing of openness matters as much as its extent.

Despite these critiques, classical and modern trade theories continue to provide the dominant analytical foundation for understanding globalisation. Their emphasis on efficiency, specialisation, and market expansion remains central to the argument that integration can drive economic growth. What emerges from the broader literature, however, is not a rejection of these theories, but a recognition of their conditional nature. The extent to which their predictions hold depends on a range of factors, including institutional capacity, policy choices, and the structural characteristics of individual economies.

For emerging markets, this conditionality is particularly significant. Integration into the global economy offers clear opportunities for growth, yet the pathways through which these opportunities are realised are shaped by domestic constraints and strategic decisions. Classical and modern trade theories provide a useful starting point for analysing these dynamics, but their insights must be considered alongside other perspectives that account for the complexities of real-world economic systems.

2.5.2 Dependency and World-Systems Perspectives

The explanatory power of classical and modern trade theories has long been contested by scholars who question their underlying assumptions about symmetry, mobility, and mutual benefit. Dependency and world-systems perspectives emerge from this critique, offering an

alternative lens through which global economic relations can be understood. Rather than viewing international trade as a neutral mechanism for efficiency, these approaches situate it within a historically embedded system of unequal power relations.

Dependency theory, developed in the context of post-colonial economic analysis, challenges the idea that integration into the global economy naturally leads to development. Scholars such as Frank (1967) and Cardoso and Faletto (1979) argue that the global economic system is structured in a way that perpetuates dependence of developing countries on advanced economies. In this framework, the flow of capital, technology, and trade is not balanced but hierarchical, reinforcing patterns where peripheral economies remain reliant on core nations for high-value activities while specialising in low-value production.

This perspective reframes globalisation as a process that can reproduce underdevelopment rather than resolve it. The benefits of integration are not denied outright, but they are seen as unevenly distributed and often constrained by structural conditions. Prebisch (1950) and Singer's (1950) work on declining terms of trade further strengthens this argument by demonstrating that countries dependent on primary commodity exports tend to experience slower income growth compared to those engaged in manufacturing. This asymmetry limits the capacity of such economies to accumulate capital and achieve sustained industrial development.

World-systems theory extends these ideas by conceptualising the global economy as a stratified system composed of core, semi-periphery, and periphery regions. Dansabo (2013) mentions that Wallerstein's (1974) formulation emphasises that economic activities are organised across this hierarchy, with core countries dominating high-value production and technological innovation. Peripheral economies, in contrast, are confined to labour-intensive and resource-based activities, while semi-peripheral regions occupy an intermediate and often unstable position. Movement within this hierarchy is possible but constrained, shaped by both global dynamics and domestic capacities.

What distinguishes these perspectives from earlier trade theories is their emphasis on historical processes and structural constraints. Economic outcomes are not simply the result of market forces, but of long-standing institutional arrangements, colonial legacies, and power asymmetries embedded in the global system. Robinson (2011) further highlights how

transnational capital and global production networks reinforce these dynamics, often limiting the developmental autonomy of emerging economies.

At the same time, these frameworks have been subject to critique for their determinism. Rudra (2008) argue that they may understate the agency of developing countries and overlook cases where integration into global markets has facilitated rapid industrialisation and growth. The experiences of several East Asian economies, for instance, suggest that strategic engagement with global markets, combined with effective state intervention, can enable countries to move beyond peripheral roles. This has led to more nuanced interpretations that recognise both structural constraints and the potential for policy-driven transformation.

Despite these debates, the relevance of dependency and world-systems perspectives remains significant, particularly in explaining persistent inequalities within the global economy. They draw attention to the fact that globalisation does not operate on a level playing field and that access to its benefits is mediated by position within the international system. This insight is especially important for emerging markets, where participation in global trade and production networks does not automatically translate into upward mobility.

The implications of these theories extend directly to the question of protectionism. If global economic relations are inherently unequal, then policy interventions aimed at safeguarding domestic industries may serve not merely as defensive measures, but as attempts to alter structural positioning. Protectionism, in this context, can be interpreted as part of a broader developmental strategy, rather than simply a deviation from optimal market conditions.

Engaging with these perspectives broadens the analytical scope of the study by introducing considerations of power, structure, and historical context into the analysis of economic growth. While they do not provide a complete explanation on their own, they offer critical insights that complement the efficiency-based arguments of classical trade theory. Together, these theoretical strands underscore the need to examine globalisation and protectionism as interconnected processes shaped by both market dynamics and structural realities.

2.5.3 Institutional and Governance Perspectives

While trade-based and structural theories offer contrasting explanations of global economic integration, neither fully accounts for the variation in outcomes observed across countries with

similar levels of openness. Mercurio (2024) states that the gap has led to the growing prominence of institutional and governance perspectives, which shift the analytical focus from external economic forces to the internal conditions that shape how such forces are absorbed and translated into development outcomes.

At the core of this approach lies the idea that economic performance is fundamentally conditioned by the quality of institutions. North (1990) conceptualises institutions as the formal and informal rules that govern economic and social interactions, influencing incentives, transaction costs, and the overall functioning of markets. Dauvergne (2018) from his standpoint, states globalisation does not operate in a vacuum; its effects depend on the institutional environment within which economic activity is embedded. Openness may create opportunities, but the ability to capture those opportunities is determined by governance structures, regulatory frameworks, and policy consistency.

This argument is developed further by Acemoglu and Robinson (2012), who distinguish between inclusive and extractive institutional systems. Inclusive institutions are characterised by broad participation, secure property rights, and effective governance, enabling innovation and long-term growth. Extractive institutions, in contrast, concentrate power and limit access to economic opportunities, often resulting in stagnation or uneven development. Didier (2012) states that the relevance of this distinction becomes evident in the context of emerging markets, where institutional variation can lead to markedly different growth trajectories despite comparable levels of integration into the global economy.

Empirical work reinforces the centrality of institutions in shaping economic outcomes. Rodrik, Subramanian, and Trebbi (2004) argue that institutional quality often outweighs geography and trade openness as a determinant of long-term growth. Their findings suggest that policies promoting global integration are unlikely to yield sustained benefits in the absence of supportive institutional frameworks. This perspective challenges the notion that liberalisation alone is sufficient, emphasising instead the need for governance capacity to manage and regulate economic change.

Institutional analysis also extends to the global level, where international economic governance plays a role in shaping national policy space. Organisations such as the World Trade Organization, the International Monetary Fund, and the World Bank establish rules and norms

that influence trade, investment, and financial flows. Keohane's (1984) work on international regimes highlights how such institutions facilitate cooperation and reduce uncertainty in global interactions. At the same time, scholars have pointed to asymmetries within these systems, noting that decision-making power is often unevenly distributed, which can constrain the policy autonomy of developing countries.

The concept of embedded liberalism provides a useful lens for understanding how countries navigate these dynamics. Ruggie (1982) argues that post-war economic arrangements were designed to balance international openness with domestic policy flexibility, allowing governments to pursue social and economic objectives alongside participation in global markets. This balance remains relevant, particularly for emerging economies that must reconcile external pressures with internal development priorities.

Institutional perspectives also offer insight into the evolving nature of protectionism. Rather than viewing policy intervention solely as a distortion, this approach considers how governance structures shape the design and effectiveness of such measures. Regulatory quality, policy coherence, and administrative capacity influence whether protectionist strategies support long-term development or lead to inefficiencies and rent-seeking behaviour. In this sense, the distinction between beneficial and detrimental forms of intervention becomes contingent upon institutional context.

Recent developments in the global economy have further underscored the importance of governance. Financial crises, supply chain disruptions, and geopolitical tensions have exposed the vulnerabilities associated with weak institutional frameworks. Shahbaz et al (2013) states that countries with robust governance systems have generally been better equipped to manage these shocks, maintain stability, and adapt to changing global conditions. Conversely, institutional weaknesses can amplify the negative effects of external volatility, limiting the resilience of economic systems.

For emerging markets, the interaction between institutions, globalisation, and protectionism is particularly consequential.

Chander (2013) Integration into the global economy presents both opportunities and risks, and the role of governance is central in determining how these are navigated. Effective institutions can enhance the benefits of openness by supporting investment, innovation, and market

development. At the same time, they provide the capacity to implement strategic interventions where necessary, ensuring that domestic priorities are not undermined by external pressures.

This perspective introduces an important layer of analysis into the study. It suggests that the relationship between globalisation, protectionism, and economic growth cannot be fully understood without considering the institutional context in which these processes unfold. By incorporating governance into the theoretical framework, the study is better positioned to explain variations in economic outcomes and to move beyond one-dimensional interpretations of openness or restriction.

2.5.4 Protectionism and Economic Nationalism

The interpretation of protectionism within economic theory has evolved significantly over time, moving beyond its traditional characterisation as a distortion of efficient market outcomes. While classical trade theory positions protectionist measures as impediments to optimal resource allocation, more recent perspectives recognise that such policies often emerge from complex economic, political, and strategic considerations. In this sense, protectionism cannot be understood solely through the lens of efficiency; it must also be examined as a response to structural vulnerabilities, distributional concerns, and shifting global dynamics.

Historically, protectionism has been associated with the use of tariffs, quotas, and subsidies aimed at shielding domestic industries from foreign competition. These measures were frequently justified on developmental grounds, particularly in the context of industrialisation. The infant industry argument, as articulated by Chang (2002), highlights that economies in early stages of development may require temporary protection to build productive capacity and technological capability. Evidence from the industrial histories of several advanced economies suggests that such interventions have often played a role in facilitating structural transformation, even where they contradict the prescriptions of free trade.

The contemporary landscape, however, reflects a more complex and less transparent form of protectionism. Rather than relying primarily on border measures, governments increasingly employ a broader set of instruments, including regulatory frameworks, industrial policy, state subsidies, and strategic investment controls. Evenett's (2019) analysis points to the growing prevalence of such interventions, many of which operate within existing international rules while still influencing competitive conditions. This shift complicates the distinction between

legitimate policy action and trade distortion, making protectionism more diffuse and harder to measure.

Clapp (2017) states that economic nationalism has emerged as a key driver of these developments. It reflects a reorientation of economic toward domestic priorities, often framed in terms of sovereignty, resilience, and national interest. Rodrik (2011) describes this tendency as part of a broader recalibration of globalisation, where governments seek greater control over economic outcomes in response to perceived external risks. Concerns related to employment, income distribution, and technological dependence have reinforced this shift, particularly in the aftermath of financial crises and geopolitical tensions.

The resurgence of protectionist sentiment in recent years is closely linked to changes in the global economic environment. Trade conflicts between major economies, disruptions in global supply chains, and the strategic importance of technology-intensive sectors have prompted governments to reassess their exposure to international markets. Policies aimed at reshoring production, securing critical industries, and regulating cross-border data flows illustrate how protectionism has expanded into new domains. These measures are often justified not only on economic grounds but also in terms of national security and long-term competitiveness.

At the same time, the effectiveness of protectionist policies remains contested. While such measures may provide short-term relief for domestic industries, they can also lead to inefficiencies, reduced competition, and retaliatory responses from trading partners. Irwin's historical analysis suggests that prolonged protectionism often undermines economic performance, particularly when it is not accompanied by complementary policies that support innovation and productivity. This underscores the importance of distinguishing between strategic and reactive forms of intervention.

Institutional and governance perspectives further complicate this assessment. The outcomes of protectionist policies are shaped by the quality of policy design, implementation, and oversight. In contexts where governance is weak, protectionist measures may foster rent-seeking behaviour and entrench inefficiencies. Conversely, in environments characterised by strong institutions and coherent policy frameworks, selective intervention may support industrial development and enhance economic resilience. This reinforces the argument that protectionism should not be evaluated in isolation, but in relation to the broader institutional context.

For emerging markets, the relevance of protectionism is particularly pronounced. These economies often face the dual challenge of integrating into global markets while maintaining domestic stability and promoting structural transformation. Strategic intervention may serve as a tool to manage this balance, enabling governments to support key sectors and mitigate external vulnerabilities. At the same time, excessive reliance on protectionist policies may limit competitiveness and constrain long-term growth prospects.

Fernandez-Villaverde and Mineyama and Song (2026) state that the evolving nature of protectionism also reflects a broader transformation in the global economic system. As production becomes more fragmented and technology-driven, the boundaries between domestic and international economic activity become increasingly blurred. Policies that restrict data flows, regulate digital platforms, or control access to critical technologies illustrate how economic governance is adapting to these changes. In this context, protectionism is no longer confined to trade policy but extends into areas that were previously considered outside the scope of international economic regulation.

Taken together, these developments suggest that protectionism and economic nationalism should be understood as dynamic and context-dependent phenomena. They represent not simply a retreat from globalisation, but a reconfiguration of how states engage with the global economy. Their impact on economic growth depends on a range of factors, including policy design, institutional capacity, and the broader structural environment.

Economic nationalism and protectionism therefore need to be understood as dynamic and context-dependent phenomena rather than as simple reversals of globalisation. Their significance lies in the way they reshape state responses to external vulnerability, domestic pressures, and strategic competition. In some settings, selective intervention may support structural transformation and resilience; in others, it may reinforce inefficiency and weaken long-term competitiveness. The analytical value of this perspective lies in moving beyond a rigid opposition between openness and restriction. A more useful interpretation recognises that both tendencies often coexist within the policy frameworks of emerging markets, and that their impact on economic growth depends on institutional capacity, policy design, and broader structural conditions.

2.6 Globalisation and Economic Growth in Emerging Markets

The relationship between globalisation and economic growth has been one of the most extensively examined themes within development economics, yet it continues to generate both empirical support and theoretical debate. At its core lies the proposition that increased openness to trade and capital flows enhances economic efficiency, facilitates technological diffusion, and expands access to global markets. For emerging economies, these mechanisms have often been associated with accelerated growth and structural transformation. At the same time, the extent to which these benefits are realised varies considerably across countries, suggesting that the impact of globalisation is neither uniform nor automatic.

Empirical research has consistently identified a positive association between trade openness and economic growth. Frankel and Romer (1999) provide evidence that countries more integrated into global trade tend to achieve higher income levels, attributing this relationship to improved resource allocation and productivity gains. Similarly, Dollar and Kraay (2004) argue that globalisation has contributed to growth and poverty reduction in developing economies, particularly where integration has been supported by appropriate domestic policies. These findings have informed a large body of policy discourse that views globalisation as a central driver of economic development.

However, more recent literature has moved away from universal claims, emphasising instead the conditional nature of this relationship. Chang, Kaltani, and Loayza (2009) demonstrate that trade openness contributes to growth primarily in countries with stable macroeconomic environments and effective institutional frameworks. In the absence of such conditions, the gains from globalisation may be limited or unevenly distributed. Rodrik (2011) further argues that premature or poorly managed integration can expose economies to external shocks without delivering sustained developmental benefits.

These debates are particularly relevant in the context of emerging markets, where structural characteristics and policy environments differ significantly. While many of these economies have successfully leveraged globalisation to achieve rapid growth, others have experienced more modest outcomes, reflecting differences in institutional capacity, human capital, and economic diversification. The literature increasingly recognises that globalisation operates

through multiple channels, including trade, foreign direct investment, and participation in global value chains, each of which may influence growth in distinct ways.

Recent macroeconomic evidence provides useful context for understanding these dynamics. According to World Bank estimates, middle-income economies collectively accounted for approximately **US\$38.93 trillion in GDP in 2024**, with an average **growth rate of 4.4 percent**. These economies also recorded **per capita income levels of around US\$6,554**, reflecting substantial variation in development outcomes across countries. At the same time, inflation remained relatively moderate at **3.6 percent**, suggesting a degree of macroeconomic stability despite ongoing global uncertainties. Foreign direct investment inflows into these economies were estimated at **1.1 percent of GDP**, indicating continued, though uneven, integration into global capital markets.

These figures highlight two important aspects of the globalisation–growth relationship. First, emerging and middle-income economies remain central to global economic expansion, both in terms of scale and growth contribution. Second, their performance reflects a combination of external integration and domestic economic conditions, rather than reliance on a single growth driver. The persistence of growth rates above 4 percent suggests that globalisation continues to provide opportunities for expansion, even in a more uncertain and fragmented global environment.

At the same time, the structure of globalisation has evolved. The increasing importance of global value chains has altered the way in which countries participate in international trade. Rather than specialising in complete industries, economies are now integrated into specific stages of production. Evidence from the World Development Report (2020) indicates that **nearly half of global trade is linked to global value chains**, and that deeper participation in these networks is associated with higher productivity and income growth. This shift has created new pathways for emerging markets to engage with the global economy, although it has also introduced new dependencies and vulnerabilities.



The literature also draws attention to the uneven distribution of gains from globalisation. Milanovic (2016) highlights how global income convergence between countries has been accompanied by rising inequality within many economies. Goldberg and Pavcnik (2007) similarly note that trade liberalisation can generate sectoral disparities, with certain industries and regions benefiting more than others. These outcomes reinforce the argument that growth driven by globalisation may not automatically translate into inclusive development.

Another important consideration is the role of external shocks. Vreeland (2003) states that the global financial crisis and subsequent economic disruptions demonstrated that highly integrated economies are also more exposed to global volatility. Recent IMF projections indicate that while emerging market and developing economies continue to grow at rates above those of advanced economies, growth has moderated to around **4.2 percent in the period 2024–2025**, reflecting a more uncertain global environment. This suggests that the benefits of globalisation are increasingly shaped by external conditions beyond the control of individual economies.

Taken together, the literature and recent evidence point toward a more nuanced understanding of the globalisation–growth relationship. Openness to trade and capital flows can support economic expansion, but its impact is mediated by institutional quality, policy frameworks, and structural conditions. Emerging markets that combine integration with effective domestic governance are more likely to achieve sustained growth, while those lacking such conditions may experience limited or uneven benefits.

This interpretation is central to the present study, as it shifts the focus from whether globalisation promotes growth to the conditions under which it does so. It also provides the

foundation for examining how domestic economic factors and protectionist policies interact with globalisation to shape growth outcomes, which is explored in the subsequent sections.

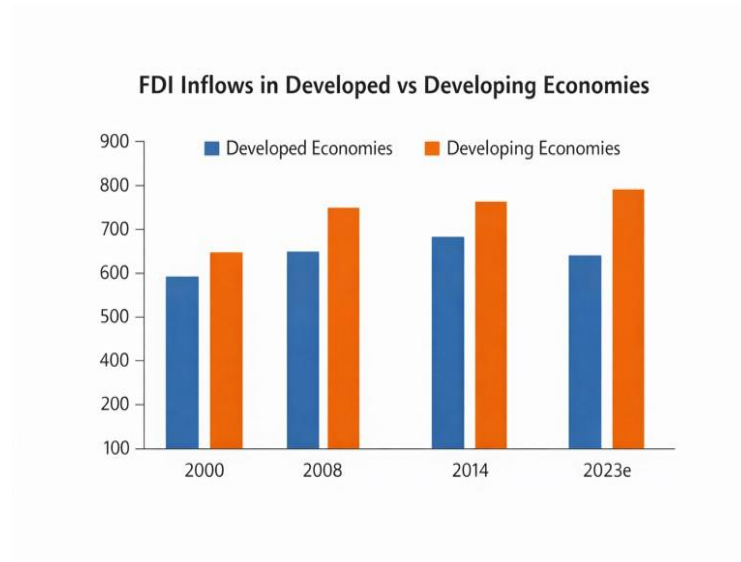
Table 1: Selected Macroeconomic Indicators for Middle-Income Economies

Indicator	Value	Year Source
GDP (current US\$)	38.93 trillion	2024 World Bank
GDP Growth Rate (%)	4.4	2024 World Bank
GDP per Capita (US\$)	6,554	2024 World Bank
Inflation (Consumer Prices, %)	3.6	2024 World Bank
FDI Net Inflows (% of GDP)	1.1	2024 World Bank
Population	5.94 billion	2024 World Bank

2.7 Foreign Direct Investment, Financial Integration, and Growth Transmission

Foreign direct investment and financial integration occupy a central position in the literature on globalisation and economic growth, often serving as the primary mechanisms through which external economic forces translate into domestic development outcomes. While trade openness explains the movement of goods and services, investment flows capture deeper forms of integration, involving capital allocation, technological transfer, and organisational transformation. These channels are particularly significant for emerging markets, where domestic resource constraints make external capital and expertise critical to growth.

The theoretical foundation for the role of foreign direct investment in growth lies in its capacity to generate spillover effects. Borensztein, De Gregorio, and Lee (1998) argue that FDI contributes to economic growth not merely through capital accumulation but by facilitating the transfer of advanced technologies and managerial practices. This perspective is extended by Alfaro, Kalemli and Sayek. (2004), who demonstrate that the growth-enhancing effects of FDI are contingent upon the development of domestic financial markets. In economies with deeper financial systems, foreign investment is more effectively absorbed and channelled into productive activities.



Empirical findings broadly support the positive association between FDI and growth, although the strength and direction of this relationship vary across contexts. Iamsiraroj (2016) identifies a long-run positive relationship between FDI and economic growth across a large sample of countries, while also noting significant heterogeneity in outcomes. Agrawal (2015) finds that emerging economies benefit from FDI inflows, particularly when these are accompanied by improvements in infrastructure and policy stability. These studies reinforce the idea that FDI is not a standalone driver of growth, but operates in conjunction with domestic conditions.

Recent global data reflects both the continued importance and the growing volatility of investment flows. According to UNCTAD estimates, foreign direct investment inflows to developing economies declined by approximately **9 percent to US\$841 billion in 2023**, even as global flows reached **US\$1.37 trillion**. This divergence highlights the uneven distribution of investment across regions and underscores the sensitivity of capital flows to global economic conditions. For many emerging markets, this volatility introduces an additional layer of uncertainty, particularly in periods of financial tightening or geopolitical instability.

Financial integration, which encompasses a broader set of cross-border capital movements, further amplifies these dynamics. Access to international financial markets enables countries to diversify sources of capital, support domestic investment, and enhance economic resilience. At the same time, integration exposes economies to external shocks, including sudden capital reversals and exchange rate fluctuations. Lane and Milesi-Ferretti (2011) emphasise that while financial openness can contribute to growth, it also increases vulnerability to global financial cycles.

Recent empirical contributions reflect this dual character of financial integration. Studies on emerging markets indicate that financial openness can support capital accumulation and productivity growth, but its benefits are strongly mediated by institutional quality and macroeconomic stability. Economies with well-regulated financial systems and consistent policy environments are better positioned to manage capital flows, whereas those with weaker governance structures may experience instability and misallocation of resources. This reinforces the broader argument that globalisation operates through conditional pathways rather than universal mechanisms.

Current data from middle-income economies further illustrates this pattern. Foreign direct investment inflows into these economies are estimated at **approximately 1.1 percent of GDP in 2024**, suggesting that while integration remains significant, it is relatively modest compared to earlier periods of rapid capital expansion. This aligns with broader trends indicating a slowdown in global investment flows and a shift toward more cautious cross-border capital allocation.

The interaction between FDI, financial integration, and domestic economic conditions also shapes the nature of growth. Investment inflows tend to concentrate in sectors offering higher returns, which may not always align with broader developmental objectives. In the absence of effective policy frameworks, this can lead to imbalances, including over-reliance on specific industries or exposure to external demand fluctuations. Conversely, strategic policy intervention can guide investment toward sectors that support long-term growth and diversification.

Another dimension of this relationship is its connection to global value chains. Investment flows are often closely tied to production networks, with multinational firms allocating capital across countries to optimise efficiency and reduce costs. Participation in such networks can enhance productivity and employment, but it may also lock economies into lower value-added segments of production. The ability to move beyond these positions depends on both domestic capabilities and the broader structure of global production.

Taken together, the literature and recent evidence suggest that foreign direct investment and financial integration function as key transmission channels linking globalisation to economic

growth. Their impact, however, is neither uniform nor guaranteed. Outcomes depend on a complex interaction between external flows and internal conditions, including financial development, institutional capacity, and policy design.

This interpretation is critical for the present study, as it highlights the mechanisms through which globalisation influences growth while also revealing the limits of relying on external integration alone. It provides a foundation for examining how domestic economic conditions interact with these external forces, which is explored in the following section.

Table 2: FDI and Financial Integration Indicators in Emerging and Developing Economies

Indicator	Value	Year Source
FDI Inflows to Developing Economies	US\$841 billion	2023 UNCTAD
Change in FDI Inflows	-9%	2023 UNCTAD
Global FDI Flows	US\$1.37 trillion	2023 UNCTAD
FDI Net Inflows (% of GDP, Middle-Income)	1.1	2024 World Bank

2.8 Domestic Economic Conditions and Growth

Tambo and Wunscher (2017) state that while globalisation provides external avenues for economic expansion, the literature consistently underscores that the sustainability and quality of growth are fundamentally shaped by domestic economic conditions. These internal factors determine not only the capacity of economies to benefit from global integration, but also their resilience in the face of external shocks. As a result, the analysis of economic growth increasingly emphasises the role of macroeconomic stability, fiscal policy, investment patterns, and structural characteristics within national economies.

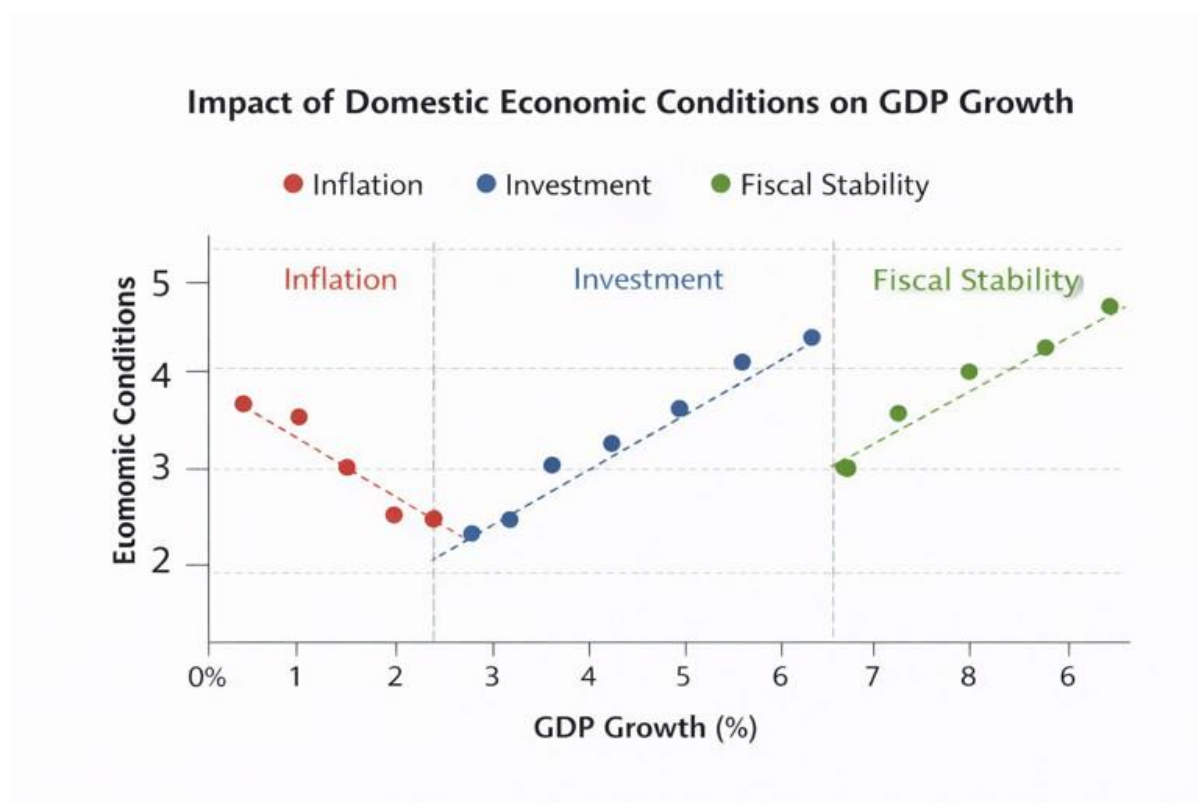


Figure 9: Impact of domestic economic conditions on GDP growth

One of the most widely recognised determinants of growth within this framework is macroeconomic stability. Fischer (1993) highlights that low and predictable inflation, sustainable fiscal balances, and stable exchange rate environments are critical in fostering investment and long-term growth. Instability, in contrast, introduces uncertainty, discourages private investment, and disrupts economic planning. Barro (1991) similarly identifies inflation and government policy distortions as key factors that negatively influence growth performance across countries.

The role of fiscal policy extends beyond stabilisation into shaping the broader investment climate. Government expenditure, particularly when directed toward infrastructure, education, and health, can enhance productivity and support economic expansion. However, the effectiveness of such spending depends on its composition and efficiency. Kneller, Bleaney, and Gemmell (1999) distinguish between productive and non-productive public expenditure, showing that only the former contributes positively to growth. Alesina and Rodrik (1994) further note that fiscal structures and income distribution influence economic performance by affecting incentives for investment and accumulation.

Investment itself remains a central driver of growth, particularly in emerging markets where capital formation is essential for industrial development. Prasad (2019) states that both public and private investment contribute to expanding productive capacity, improving infrastructure, and supporting technological advancement. Recent studies indicate that the interaction between public and private investment is especially important, as government-led infrastructure development often crowds in private sector activity. At the same time, volatility in fiscal policy and investment patterns can undermine growth by creating uncertainty and reducing the efficiency of resource allocation.

Contemporary macroeconomic data reinforces the importance of domestic conditions in shaping economic outcomes. Middle-income economies, which form the primary focus of this study, recorded an average **GDP growth rate of 4.4 percent in 2024**, alongside **inflation levels of approximately 3.6 percent**, indicating a relatively stable macroeconomic environment. Unemployment rates in these economies were estimated at around **4.9 percent**, while remittance inflows accounted for **approximately 1.7 percent of GDP**, reflecting the continued significance of external income flows in supporting domestic consumption and investment.

These indicators suggest that growth performance in emerging markets is closely linked to the management of internal economic variables. Moderate inflation and stable growth rates point toward improved macroeconomic governance in many countries, even in the presence of global uncertainty. At the same time, reliance on remittances and external income sources highlights structural dependencies that may influence long-term development trajectories.

The interaction between domestic economic conditions and globalisation is particularly important. Empirical evidence suggests that the benefits of openness are amplified in economies characterised by stable macroeconomic environments and effective policy frameworks. Chang, Kaltani, and Loayza (2009) demonstrate that trade openness contributes to growth primarily in countries with sound economic policies, reinforcing the argument that domestic conditions act as a filter through which external influences are transmitted.

At the same time, domestic weaknesses can limit or even negate the gains from global integration. Economies with high inflation, weak fiscal discipline, or underdeveloped financial systems may struggle to attract investment or to allocate resources efficiently. This is especially

relevant in the context of emerging markets, where institutional and structural constraints can vary widely across countries. Easterly and Levine (1997) argue that such structural factors play a decisive role in explaining differences in growth performance, often outweighing the effects of external integration.

Recent literature also draws attention to policy uncertainty as a critical factor influencing growth. Frequent changes in economic policy, inconsistent regulatory frameworks, and lack of transparency can undermine investor confidence and reduce economic efficiency. This has become particularly relevant in an environment characterised by global volatility, where domestic policy credibility plays a key role in stabilising economic expectations.

The role of domestic financial systems further illustrates the importance of internal conditions. Well-developed financial markets facilitate the efficient allocation of capital, support entrepreneurship, and enhance the absorptive capacity of economies to utilise external investment. In contrast, weak financial systems can lead to misallocation of resources and limit the effectiveness of both domestic and foreign investment flows.

Taken together, the literature and recent data point toward a clear conclusion: domestic economic conditions are not merely background variables but central determinants of economic growth. They shape the environment within which globalisation operates and influence the effectiveness of both external integration and protectionist policies.

For the present study, this perspective is particularly significant. It provides the foundation for examining how internal economic factors interact with globalisation and protectionism to influence growth outcomes in emerging markets. It also directly informs the empirical analysis, where domestic variables will be examined in relation to economic performance, allowing for a more comprehensive understanding of growth dynamics.

Table 3: Selected Domestic Economic Indicators in Middle-Income Economies

Indicator	Value	Year	Source
GDP Growth Rate (%)	4.4	2024	World Bank
Inflation (Consumer Prices, %)	3.6	2024	World Bank

Indicator	Value	Year	Source
Unemployment Rate (%)	4.9	2024	World Bank
Remittances Received (% of GDP)	1.7	2024	World Bank
GDP per Capita (US\$)	6,554	2024	World Bank

2.9 Institutional and Governance Dimensions

The variation in economic outcomes across countries with similar levels of global integration and comparable domestic conditions has led to increasing recognition of the role of institutions and governance in shaping development trajectories. While globalisation provides opportunities through trade and capital flows, and domestic conditions influence macroeconomic stability, institutional frameworks determine how effectively these forces are managed and translated into sustained economic growth. In this sense, institutions operate as a critical mediating layer, linking external integration with internal economic performance.

The concept of institutional quality encompasses a range of elements, including rule of law, regulatory effectiveness, policy consistency, and administrative capacity. North's (1990) formulation of institutions as the "rules of the game" emphasises that economic actors respond to incentives created by governance structures. Where these structures are stable and predictable, investment and innovation are more likely to flourish. In contrast, weak or inconsistent institutions increase transaction costs, discourage long-term planning, and limit the efficiency of both domestic and international economic activity.

Empirical literature reinforces this interpretation by demonstrating that institutional quality significantly influences the effectiveness of globalisation. Rodrik, Subramanian, and Trebbi (2004) argue that institutions play a more decisive role in determining long-term economic performance than trade openness alone. This finding aligns with evidence from emerging markets, where countries with similar levels of integration often exhibit divergent growth patterns due to differences in governance capacity. The implication is that globalisation does not operate as an independent driver of growth; rather, its impact is conditioned by the institutional environment within which it is embedded.

Institutional frameworks also shape the dynamics of foreign direct investment and financial integration. As discussed in the previous section, capital flows are sensitive to risk, policy

uncertainty, and regulatory quality. Economies characterised by transparent legal systems and consistent policy regimes are more likely to attract stable investment inflows. Conversely, Farrell and Newman (2019) states that weak governance can result in volatile capital movements, inefficient allocation of resources, and increased exposure to external shocks. This relationship highlights the interdependence between institutional quality and financial integration, reinforcing the need to consider both in conjunction.

Stone states that the role of governance extends beyond domestic institutions to include participation in the global economic system. International organisations such as the World Trade Organisation, the International Monetary Fund, and the World Bank establish frameworks that regulate trade, investment, and financial flows. These institutions aim to promote stability and cooperation, yet their effectiveness is often shaped by asymmetries in power and influence among member states. Emerging economies, while increasingly significant in global output, may still face constraints in shaping these frameworks to reflect their developmental priorities.

Recent macroeconomic indicators underscore the systemic importance of institutional capacity in emerging markets. Middle-income economies, which account for approximately **US\$38.93 trillion in global GDP**, represent a substantial share of global economic activity. The scale of these economies implies that governance quality within them has implications not only for domestic growth but also for global stability. In this context, institutional weaknesses are not isolated challenges but factors that can influence broader economic dynamics.

Institutional factors also play a crucial role in shaping the effectiveness of protectionist policies. As discussed in Section 2.5.4, protectionism can function either as a strategic tool or as a source of inefficiency, depending on how it is implemented. Governance quality determines whether such policies support long-term industrial development or lead to rent-seeking behaviour and resource misallocation. This distinction is particularly relevant in emerging markets, where state intervention is often necessary but must be carefully managed to avoid adverse outcomes. Another important dimension of institutional analysis is policy credibility.

Economic actors, particularly investors, respond not only to current policies but also to expectations regarding future policy stability. Frequent changes in regulatory frameworks or inconsistent implementation can undermine confidence and reduce the effectiveness of both

domestic and international economic strategies. This has become increasingly significant in an environment characterised by global uncertainty, where institutional reliability serves as a key stabilising factor.

The interaction between institutions and domestic economic conditions further reinforces their central role. Macroeconomic stability, investment efficiency, and financial development are all influenced by governance structures. Effective institutions enhance the capacity of governments to implement sound policies, manage public resources, and respond to economic shocks. In contrast, institutional weaknesses can amplify existing vulnerabilities, limiting the ability of economies to sustain growth even when external conditions are favourable.

Taken together, the literature suggests that institutions function as a bridge between globalisation and domestic economic performance. They determine how external opportunities are harnessed, how internal policies are implemented, and how economies respond to both opportunities and risks. This perspective moves the analysis beyond a simple comparison of openness versus protectionism, highlighting the importance of governance as an underlying determinant of economic outcomes.

For the present study, the inclusion of institutional and governance dimensions is essential for developing a comprehensive understanding of growth dynamics in emerging markets. Suci, Asmara and Mulatish (2015) state that it provides the analytical link that connects external integration, domestic conditions, and policy choices, thereby offering a more complete explanation of variations in economic performance. This integrated view sets the stage for examining how these factors interact within the broader context of global economic restructuring, which is explored in the subsequent sections.

2.10 Global Value Chains, Trade Restructuring, and Emerging-Market Positioning

Taglioni and Winkler (2016) state that the structure of international trade has undergone a significant transformation over the past few decades, moving away from the exchange of final goods toward the fragmentation of production across borders. This shift, commonly associated with the rise of global value chains, has redefined how countries participate in the global economy. Rather than specialising in entire industries, economies are now integrated into specific stages of production, often coordinated by multinational enterprises operating across multiple jurisdictions. This reorganisation has altered traditional notions of comparative

advantage and introduced new pathways for economic participation, particularly for emerging markets.

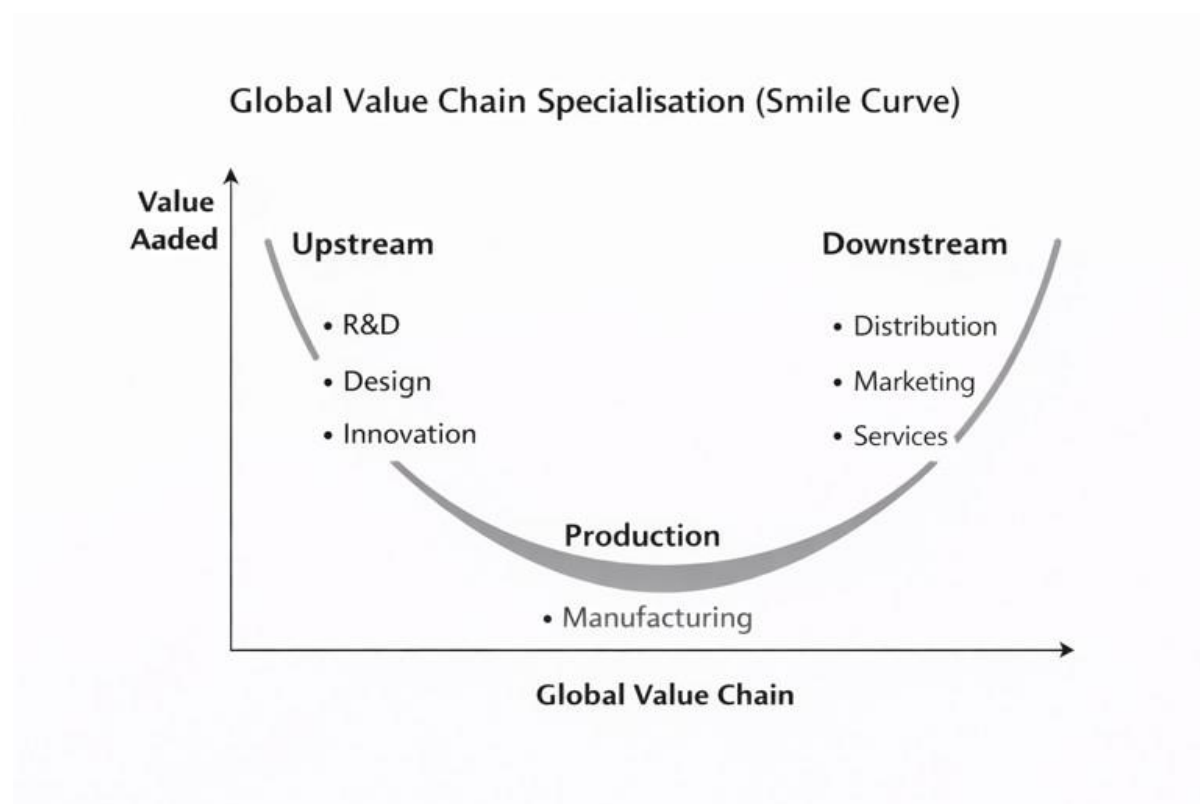


Figure 10: Global value Chain

The literature on global value chains highlights their role as a central mechanism of contemporary globalisation. Gereffi (2018) Ponte (2014) emphasises that production is increasingly organised through networks in which lead firms control high-value activities such as design, branding, and distribution, while production processes are distributed across geographically dispersed locations. This structure enables firms to optimise efficiency and reduce costs, but it also creates asymmetries in value capture. Countries engaged in lower-value segments, such as assembly or raw material processing, often receive a smaller share of total economic gains, limiting their ability to achieve sustained income growth.

Empirical evidence supports the significance of global value chains in shaping economic outcomes. Estimates from the World Development Report indicate that approximately **half of global trade is now linked to global value chain activity**, reflecting the deep integration of production systems. Participation in these networks has been associated with productivity improvements, employment generation, and export expansion in many emerging economies.

In addition, research suggests that increased participation in global value chains is correlated with higher income levels, as it facilitates access to technology, knowledge, and international markets.

At the same time, the benefits of such participation are uneven and contingent upon a country's position within the value chain. Ponte and Sturgeon (2014) argue that the distribution of value across production stages is highly skewed, with the highest returns concentrated in activities related to innovation and intellectual property. This creates a structural challenge for emerging markets, which often enter global value chains at lower-value stages. The ability to move toward higher-value activities, commonly referred to as “upgrading,” depends on factors such as human capital, infrastructure, institutional capacity, and policy support.

Recent developments have introduced new complexities into the functioning of global value chains. The global financial crisis, the COVID-19 pandemic, (Arezki 2021) and rising geopolitical tensions have exposed vulnerabilities associated with highly fragmented production networks. Disruptions in supply chains have prompted firms and governments to reassess the trade-off between efficiency and resilience. Miroudot (2019) notes that there has been a gradual shift toward diversification and regionalisation of supply chains, as firms seek to reduce dependence on single sources and mitigate risk.

Winters and McCulloch and McKay (2004) state that trade conflicts and strategic competition have further accelerated this restructuring process. Policies aimed at reshoring production, restricting technology transfers, and securing critical supply chains have altered traditional patterns of international production. Evidence suggests that such shifts can have significant economic implications. The World Bank estimates that a severe fragmentation scenario could reduce global income by as much as **US\$1.4 trillion**, while also pushing up to **30.7 million people** into poverty. These figures highlight the scale of potential disruption associated with changes in global trade architecture.

Woods (2006) states that for emerging markets, these developments present both opportunities and challenges. On one hand, the reconfiguration of global value chains may create new entry points for economies seeking to attract investment and expand their industrial base. Countries that are able to position themselves as alternative production hubs may benefit from shifts in investment patterns. On the other hand, increased fragmentation and regionalisation may limit

access to global markets, particularly for economies that rely heavily on export-led growth strategies.

The interaction between global value chains and domestic economic conditions further shapes these outcomes. Economies with strong infrastructure, skilled labour forces, and effective governance are better positioned to move into higher-value segments of production. In contrast, countries with structural constraints may remain confined to lower-value activities, limiting their capacity for long-term growth. This reinforces the argument developed in earlier sections that globalisation outcomes are mediated by domestic and institutional factors.

Technological change adds another layer of complexity to this analysis. Advances in automation, artificial intelligence, and digital manufacturing are altering the cost structures that originally drove the expansion of global value chains. As production becomes less dependent on low-cost labour, the competitive advantage of many emerging markets may be challenged. At the same time, digital technologies create new opportunities for participation in global markets, particularly in services and knowledge-based sectors.

The evolving nature of global value chains therefore reflects a broader transformation in the global economic system. Efficiency-driven integration is increasingly being complemented, and in some cases replaced, by considerations of resilience, security, and strategic autonomy. This shift has important implications for economic growth, as it changes the conditions under which countries engage with the global economy.

For the present study, the analysis of global value chains and trade restructuring provides a critical link between theoretical perspectives and contemporary economic realities. It highlights how globalisation operates in practice, how its benefits are distributed, and how emerging markets are positioned within an evolving system. This perspective also sets the stage for examining the broader implications of trade conflicts and economic fragmentation, which are explored in the following section.

Table 4: Global Value Chain and Trade Restructuring Indicators

Indicator	Value	Year	Source
Share of Global Trade Linked to GVCs	~50%	Latest estimate	World Bank (WDR 2020)
Potential Global Income Loss (Fragmentation Scenario)	US\$1.4 trillion	Scenario estimate	World Bank
Potential Increase in Poverty	30.7 million people	Scenario estimate	World Bank

2.11 Trade Wars, De-globalisation, and Economic Fragmentation

The trajectory of globalisation in the twenty-first century has increasingly been shaped by tensions that challenge its earlier momentum. While previous decades were characterised by expanding trade and deepening integration, recent developments suggest a shift toward a more fragmented and contested global economic order. Pillich (2025) states that the trade wars, geopolitical rivalries, and strategic policy interventions have altered the structure of international economic relations, raising important questions regarding the sustainability and future direction of globalisation.

Trade conflicts, particularly those involving major economic powers, have played a central role in this transformation. The imposition of tariffs, countermeasures, and regulatory restrictions has disrupted established trade flows and introduced a degree of uncertainty into global markets. Bown (2020) and Evenett (2019) document the escalation of such measures in recent years, noting that many of them extend beyond traditional tariff barriers to include subsidies, export controls, and industrial policies. These developments indicate that protectionism has evolved into a more complex and multifaceted phenomenon.

The implications of these shifts are not limited to bilateral trade relations. Given the interconnected nature of global production systems, disruptions in one part of the economy can generate ripple effects across multiple regions. Supply chains that were once optimised for efficiency have become sources of vulnerability, particularly in the face of geopolitical tensions and external shocks. This has led firms and governments to reconsider the balance between efficiency and resilience, often prioritising diversification and regionalisation over cost minimisation.

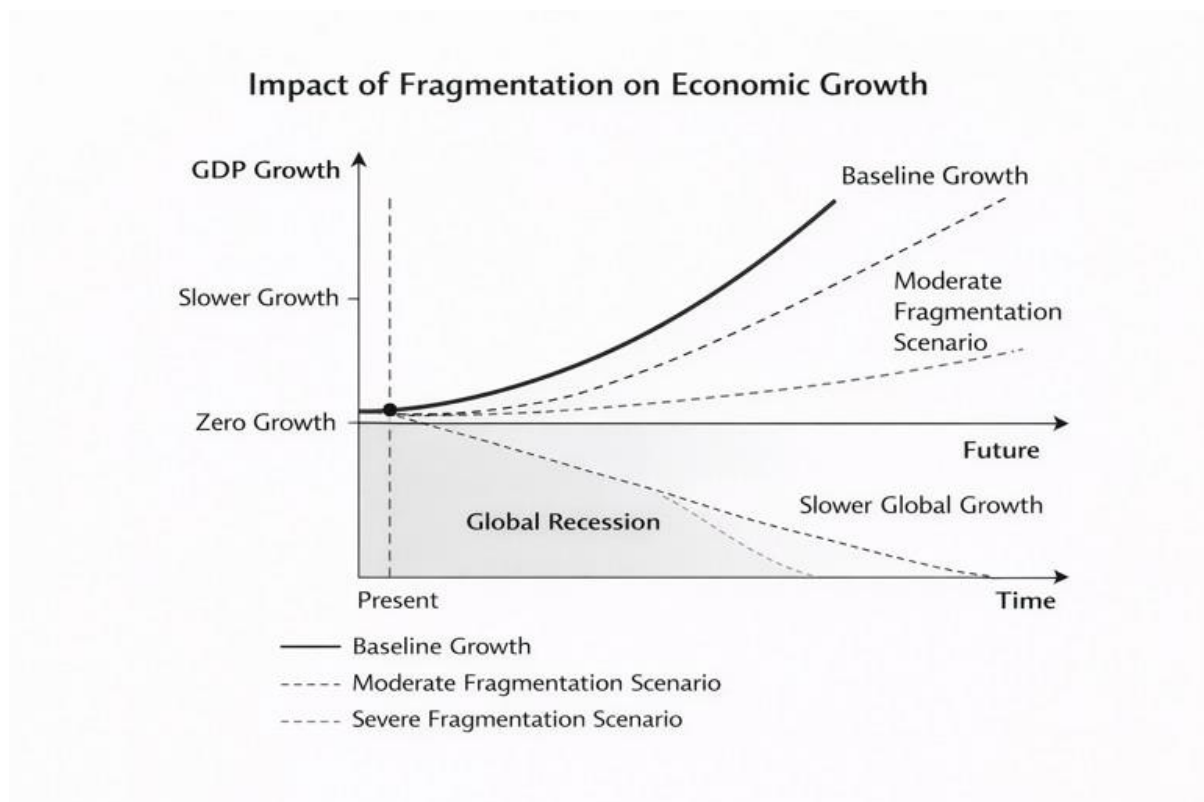


Figure 11 Impact of Fragmentation on Economic Growth

The concept of de-globalisation has gained prominence in this context, although its interpretation remains contested. Some scholars like Antras (2020) argue that the global economy is experiencing a reversal of integration, characterised by declining trade intensity and reduced capital mobility. Others suggest that what is being observed is not a complete retreat, but rather a reconfiguration of globalisation into new forms. Rodrik (2018) emphasises that states are seeking to reclaim policy space, adjusting their engagement with global markets in response to domestic and strategic considerations.

Recent macroeconomic trends provide insight into this evolving landscape. Global growth remains positive but has moderated compared to earlier periods of rapid expansion. According to International Monetary Fund projections, global economic growth is expected to stabilise at around **3.2 percent in 2024 and 2025**, while emerging market and developing economies are projected to grow at approximately **4.2 percent** over the same period. These figures suggest that while integration continues to support economic activity, the pace of expansion has slowed in a more uncertain and fragmented environment.

Trade fragmentation carries measurable economic risks. Disruptions to established trade relationships can reduce efficiency, increase production costs, and limit access to markets. The World Bank's scenario analysis indicates that severe fragmentation could result in significant income losses at the global level, reinforcing concerns regarding the long-term implications of protectionist policies. At the same time, the uneven distribution of these effects means that some economies may experience relative gains, particularly if they are able to position themselves as alternative hubs within reconfigured trade networks.

For emerging markets, the consequences of these developments are particularly complex. Economies that have relied heavily on export-led growth strategies may face challenges in maintaining access to global markets. At the same time, shifts in trade patterns may create new opportunities for countries able to attract investment diverted from traditional production centres. This duality underscores the importance of adaptability and strategic positioning within the evolving global system.

Geopolitical considerations have further intensified these dynamics. Economic policies are increasingly influenced by concerns related to national security, technological leadership, and supply chain control. Restrictions on technology transfer, investment screening mechanisms, and the localisation of critical industries reflect a broader shift toward economic strategies that integrate security and development objectives. These measures blur the boundaries between economic policy and geopolitical strategy, adding complexity to the analysis of globalisation. The interaction between de-globalisation and institutional frameworks also merits attention. As multilateral cooperation faces increasing challenges, regional and bilateral arrangements have gained prominence. While such arrangements may provide stability within specific blocs, they can also contribute to the fragmentation of the global trading system. This raises questions about the effectiveness of existing global governance structures in managing contemporary economic challenges.

The literature suggests that the current phase of globalisation is best understood not as a simple reversal, but as a period of transition. Integration continues, but in altered forms that reflect changing economic priorities and political realities. Protectionism, rather than replacing globalisation, is being integrated into a more complex system where openness and restriction coexist.

This evolving context has important implications for economic growth. While fragmentation may reduce some of the efficiency gains associated with globalisation, it also encourages diversification and resilience. The overall impact on growth depends on how countries navigate these changes, particularly in terms of policy design, institutional capacity, and strategic engagement with global markets.

For the present study, these developments provide critical context for understanding the contemporary relationship between globalisation and protectionism. They highlight the need to move beyond static models and to consider how changing global conditions influence economic outcomes. This perspective sets the stage for examining the role of digital transformation and technological change in shaping the next phase of global economic integration.

Table 5: Global Growth Trends and Fragmentation Context

Indicator	Value	Period	Source
Global GDP Growth (%)	3.2	2024–2025 (proj.)	IMF
Emerging Market Growth (%)	4.2	2024–2025 (proj.)	IMF
Estimated Global Income Loss (Severe Up to Fragmentation)	US\$1.4 trillion	Scenario	World Bank

2.12 Digital Economy, Digital Protectionism, and Technological Change

The evolution of globalisation in recent decades has been increasingly shaped by the expansion of the digital economy, which has altered the nature of cross-border economic interaction. Unlike traditional forms of globalisation driven by the movement of goods and capital, digital globalisation is characterised by the flow of data, digital services, and knowledge across borders. This transformation has redefined the mechanisms through which economies integrate, enabling participation in global markets without the constraints of physical infrastructure or geographic proximity.

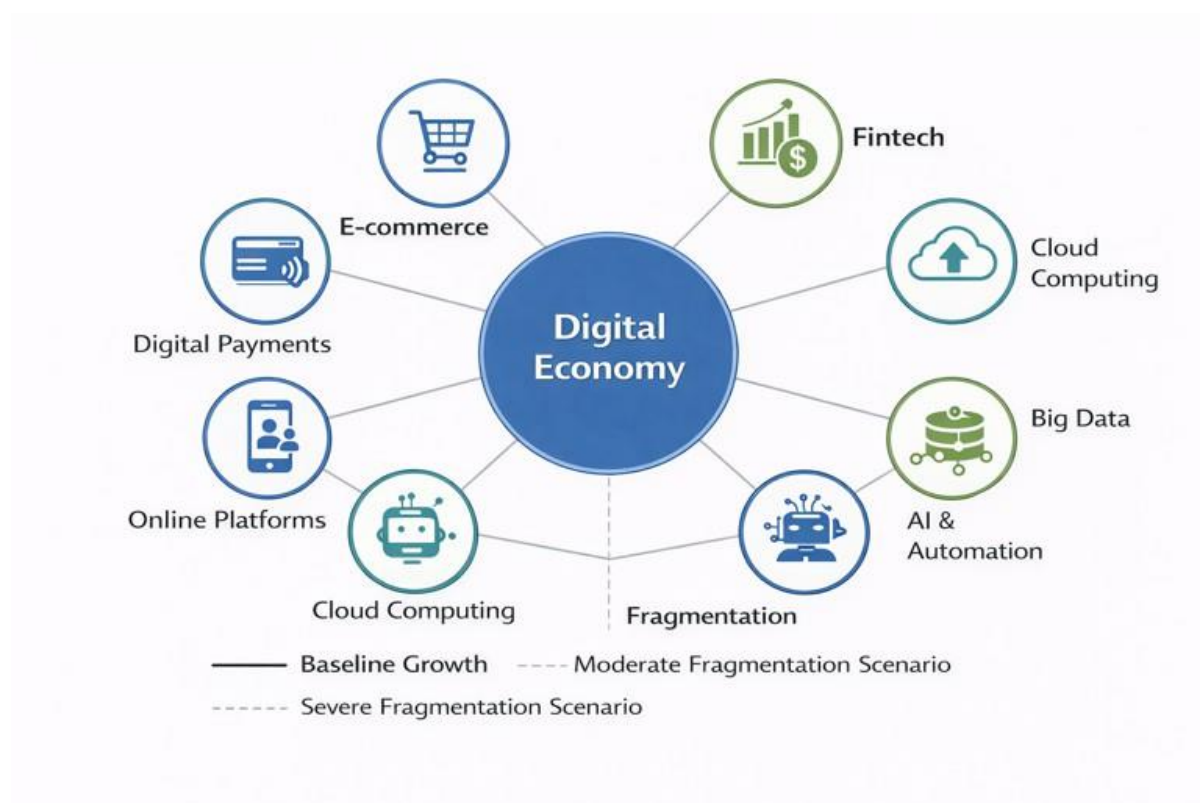


Figure 12: Digital Economy

The digital economy has expanded rapidly with the proliferation of information and communication technologies, cloud computing, artificial intelligence, and platform-based business models. Bukht and Heeks (2018) describe the digital economy as encompassing economic activities that are either based on digital technologies or significantly enabled by them. Within this framework, digital platforms facilitate market access, reduce transaction costs, and create new opportunities for firms in emerging markets to engage in global trade. Small and medium enterprises, in particular, benefit from the ability to reach international consumers through digital channels, bypassing traditional barriers associated with physical trade.

This transformation has important implications for economic growth. Digitalisation enhances productivity by improving efficiency, enabling innovation, and supporting new forms of value creation. Chakravorti (2017) and colleagues highlight how digital readiness is increasingly associated with economic competitiveness, as economies with stronger digital infrastructure are better positioned to participate in global markets. For emerging economies, the digital

economy offers the potential to accelerate development by leapfrogging traditional stages of industrialisation and integrating directly into knowledge-based sectors.

At the same time, Herzer (2013) states the expansion of the digital economy has introduced new forms of inequality and asymmetry. The concentration of technological capabilities and digital platforms in a limited number of advanced economies has created disparities in value capture and market power. Foster and Azmeh (2020) argue that global digital production networks often replicate existing inequalities, with developing economies participating primarily in lower-value segments such as data processing or service provision. This pattern mirrors earlier dynamics observed in global value chains, suggesting that digital globalisation does not automatically eliminate structural constraints.

The regulatory landscape surrounding digital economic activity has also become increasingly complex. Governments are now confronted with the challenge of balancing openness with concerns related to data security, privacy, and national sovereignty. This has led to the emergence of digital protectionism, a set of policy measures that restrict or regulate cross-border data flows, digital services, and technological transfers. Aaronson (2018) notes that such measures are often justified on legitimate grounds, yet they also have the potential to fragment digital markets and limit the benefits of global integration.

Digital protectionism differs from traditional trade barriers in both form and scope. Rather than imposing tariffs or quotas, governments may require data localisation, impose restrictions on foreign digital platforms, or regulate access to critical technologies. These policies can shape competitive dynamics within the digital economy, influencing which firms and countries are able to participate effectively in global markets. Ciuriak and Ptashkina (2019) highlight that such measures can lead to the creation of distinct digital spheres, reducing interoperability and increasing the fragmentation of the global digital ecosystem.

The intersection of technology and geopolitics has further intensified these dynamics. Strategic competition among major economies has placed technological leadership at the centre of economic policy. Restrictions on technology transfer, export controls on advanced components, and investment screening mechanisms reflect efforts to secure control over critical sectors such as semiconductors, artificial intelligence, and telecommunications. These

developments suggest that technological considerations are increasingly shaping the contours of globalisation.

For emerging markets, the digital economy presents both opportunities and constraints. On one hand, digital technologies enable greater participation in global markets, reduce entry barriers, and support innovation. On the other hand, limited digital infrastructure, skills gaps, and regulatory challenges can restrict the ability of these economies to fully benefit from digital integration. The gap between digitally advanced and less developed economies risks widening, reinforcing existing inequalities within the global system.

The interaction between digitalisation and domestic policy frameworks is particularly important in this context. Effective regulation, investment in digital infrastructure, and the development of human capital are critical in enabling economies to harness the benefits of digital transformation. At the same time, excessive or poorly designed regulatory interventions may hinder innovation and limit participation in global digital networks.

Amsden (1989) states that the broader implication of these developments is that globalisation is increasingly being redefined through technological processes. The movement of data and digital services is becoming as significant as the movement of goods and capital, while policy responses are evolving to address new forms of economic activity. This shift complicates traditional distinctions between openness and protection, as economies seek to balance integration with control in an increasingly digital environment.

This perspective extends the analysis of globalisation beyond its conventional economic dimensions, highlighting the role of technology as a key driver of change. It also reinforces the central argument of the study that the relationship between globalisation, protectionism, and economic growth is dynamic and context-dependent. Understanding the digital dimension of this relationship is essential for capturing the evolving nature of economic integration, particularly as emerging markets navigate the opportunities and challenges of technological transformation.

2.13 Socioeconomic, Inequality, and Sustainability Dimensions

The analysis of globalisation and economic growth remains incomplete without considering its broader socioeconomic and environmental implications. While the expansion of trade,

investment, and technological integration has contributed to aggregate economic growth, its effects have not been evenly distributed across societies. The literature increasingly recognises that growth driven by globalisation may coexist with rising inequality, uneven access to opportunities, and mounting environmental pressures. These dimensions are particularly significant in emerging markets, where structural constraints and developmental priorities shape the distribution of economic gains.

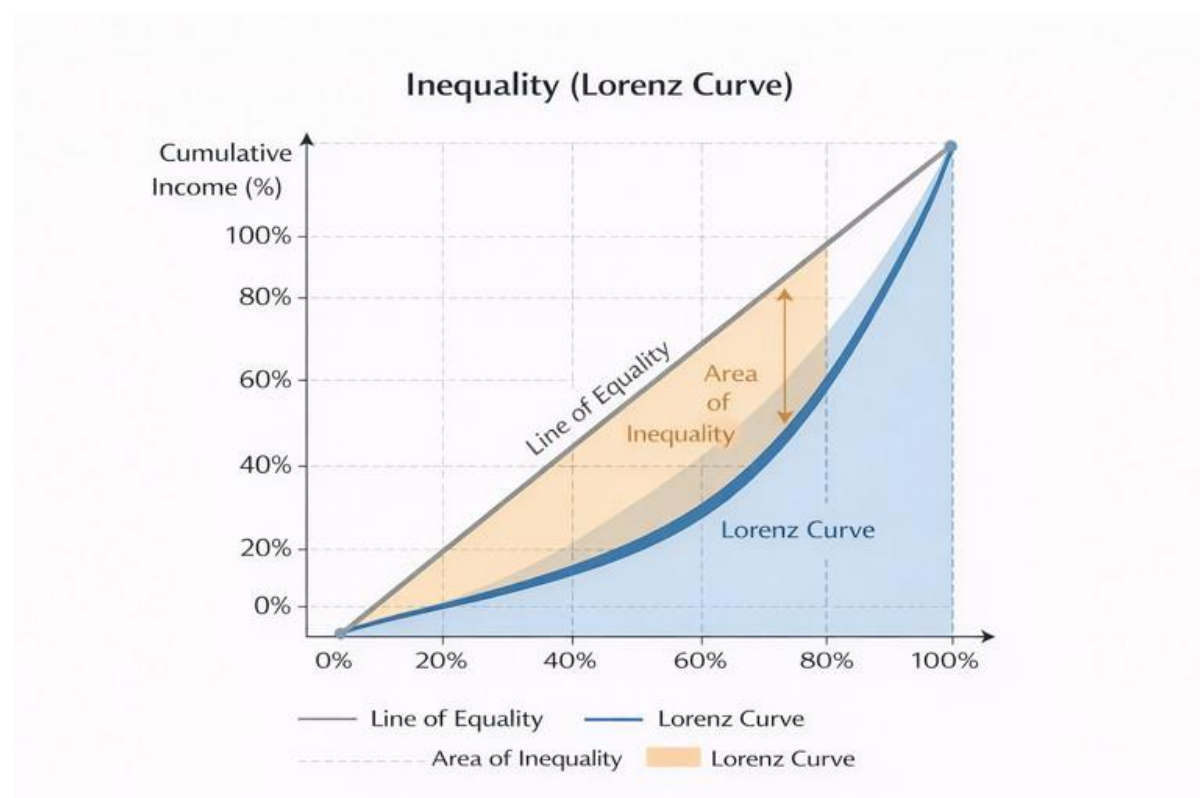


Figure 13 Lorenz Curve

One of the most prominent concerns relates to income inequality. Globalisation has facilitated convergence in income levels between countries, particularly through the rapid growth of several emerging economies. At the same time, disparities within countries have often widened. Milanovic (2016) highlights this dual pattern, where global inequality declines while domestic inequality increases in many contexts. Trade liberalisation and technological change tend to favour skilled labour and capital-intensive sectors, leading to differential outcomes across regions and social groups. Goldberg and Pavcnik (2007) similarly note that exposure to international competition can generate sectoral shifts that disproportionately affect certain segments of the workforce, particularly in economies with limited labour mobility.

These distributional effects have important implications for long-term economic growth. Persistent inequality can reduce access to education, limit social mobility, and weaken aggregate demand, thereby constraining development potential. Kanbur (2019) argues that inclusive growth requires policies that address these structural imbalances, ensuring that the benefits of economic expansion are more widely shared. In emerging markets, where large segments of the population remain vulnerable, the challenge lies in balancing efficiency with equity.

Zenglein and Holzmann (2019) state that socioeconomic outcomes are also closely linked to labour market dynamics. The integration of emerging economies into global production networks has created employment opportunities, particularly in export-oriented sectors. However, these gains are often accompanied by concerns regarding job security, wage inequality, and working conditions. Informal employment remains prevalent in many developing economies, limiting the extent to which translates into stable and secure livelihoods. These issues highlight the importance of labour market institutions and social protection systems in shaping the quality of growth.

Zhang (2021) states that environmental sustainability represents another critical dimension of the globalisation debate. Increased economic activity, driven by industrialisation and trade, has contributed to higher levels of resource consumption and environmental degradation. Copeland and Taylor (2004) emphasise that trade can influence environmental outcomes through multiple channels, including scale effects, composition effects, and technological change. While globalisation can facilitate the transfer of cleaner technologies, it can also lead to the relocation of environmentally intensive industries to countries with less stringent regulations.

The scale of the sustainability challenge is evident in recent global estimates. Developing economies face an annual investment gap of approximately **US\$4 trillion** in achieving the Sustainable Development Goals, reflecting the magnitude of resources required to address environmental and social challenges. In the context of energy transition, annual investment needs in developing countries are estimated at **US\$1.7 trillion**, while actual investment remains significantly lower. These figures underscore the gap between growth aspirations and the resources required to ensure sustainable development.

Emerging markets occupy a central position in this transition. With a combined population of approximately **5.94 billion people**, middle-income economies represent the majority of the global population, making their development pathways critical for both economic and environmental outcomes. Sadorsky (2014) states that Rapid growth, industrial expansion, and rising consumption patterns in these economies amplify the importance of integrating sustainability into growth strategies. At the same time, limited financial and institutional capacity can constrain the ability to implement environmentally sustainable policies.

The concept of inclusive growth has gained prominence as a response to these challenges. Rather than focusing solely on aggregate output, this approach emphasises the distribution of benefits and the sustainability of economic processes. Elson (2017) argues that growth strategies must incorporate social and environmental considerations to ensure long-term resilience. This perspective aligns with broader policy debates that seek to integrate economic development with social equity and environmental stewardship.

The interaction between globalisation, protectionism, and sustainability adds further complexity to this analysis. Trade restrictions and industrial policies may be used to support domestic green industries or to protect environmentally sensitive sectors. At the same time, fragmentation of global trade can hinder the diffusion of clean technologies and reduce the efficiency of global resource allocation. These dynamics illustrate that the relationship between economic policy and sustainability is not straightforward, requiring careful balancing of competing objectives.

Socioeconomic and environmental dimensions also influence political responses to globalisation. Rising inequality and environmental concerns can generate public resistance to economic openness, contributing to the resurgence of protectionist policies. This feedback loop highlights the interconnected nature of economic, social, and political processes, reinforcing the need for integrated policy approaches.

The literature therefore points toward a more comprehensive understanding of economic growth, one that extends beyond traditional metrics to include distributional and sustainability considerations. For emerging markets, the challenge lies not only in achieving higher growth rates but in ensuring that such growth is inclusive, resilient, and environmentally sustainable.

This perspective strengthens the analytical framework of the study by incorporating dimensions that are often treated as secondary in traditional economic models. It also provides a necessary bridge to the critical perspectives that question conventional development paradigms, which are examined in the following section.

Table 6: Socioeconomic and Sustainability Indicators Relevant to Emerging Economies

Indicator	Value	Year	Source
Population (Middle-Income Economies)	5.94 billion	2024	World Bank
SDG Annual Investment Gap (Developing Countries)	US\$4 trillion	Recent estimate	UNCTAD
Annual Renewable Energy Investment Need	US\$1.7 trillion	Recent estimate	UNCTAD
Clean Energy Investment Achieved	US\$544 billion	2022	UNCTAD

2.14 Critical Perspectives and Alternative Development Frameworks

The dominant discourse on globalisation and economic growth has historically been shaped by frameworks that emphasise efficiency, market integration, and capital mobility. While these perspectives provide valuable insights, a substantial body of literature has emerged that questions their underlying assumptions and highlights the limitations of growth models that prioritise openness without sufficient attention to structural, social, and institutional realities. These critical perspectives broaden the analytical scope by incorporating issues of power, inequality, and sustainability into the study of economic development.

One strand of critique focuses on the uneven distribution of gains from globalisation. Stiglitz (2017) argues that the benefits of global economic integration have been disproportionately concentrated, often favouring advanced economies and capital-intensive sectors, while marginalising vulnerable populations. Rodrik (2011) similarly contends that globalisation, when pursued without adequate institutional safeguards, can undermine domestic policy autonomy and exacerbate economic instability. These arguments challenge the notion that openness inherently leads to inclusive development, instead emphasising the need for context-sensitive policy frameworks.

Another important perspective emerges from post-development and structural critiques, which question the universality of conventional development models. Escobar (1995) critiques the Western-centric assumptions embedded in development discourse, arguing that they often fail to account for local contexts and alternative pathways to progress. Sen (1999), while not rejecting economic growth, reframes development as a process of expanding human capabilities rather than merely increasing income levels. This shift in focus highlights the importance of education, health, and social inclusion as integral components of development.

The concept of inclusive growth has gained prominence as a response to these critiques. Rather than measuring success solely in terms of GDP, this approach emphasises equitable distribution of opportunities and outcomes. Piketty (2014) draws attention to the structural drivers of inequality, particularly the concentration of wealth and capital, which can limit the broader benefits of economic expansion. Milanovic (2016) further demonstrates that globalisation has produced complex patterns of inequality, with gains distributed unevenly across and within countries.

Environmental critiques add another dimension to this debate by questioning the sustainability of growth-driven models. Traditional frameworks often treat environmental considerations as secondary, yet the increasing urgency of Mattoo (2012) states that climate change has brought these issues to the forefront of economic analysis. Sachs (2015) emphasises the need for sustainable development pathways that integrate economic, social, and environmental objectives. Similarly, the literature on ecological economics argues that unlimited growth is incompatible with finite natural resources, calling for a re-evaluation of development priorities.

Institutional critiques also highlight the limitations of global governance structures. While international institutions play a role in facilitating cooperation, their design and functioning have been criticised for reflecting unequal power dynamics. Wade (2003) argues that global economic governance often privileges the interests of advanced economies, limiting the policy space available to developing countries. This has implications for how emerging markets engage with globalisation, particularly in terms of balancing external pressures with domestic development goals.

Ferracane and Marel (2018) state that alternative development frameworks have emerged in response to these critiques, offering more holistic approaches to economic growth. The human development framework, advanced by the United Nations Development Programme, shifts the focus from income to well-being, incorporating indicators such as education, health, and life expectancy. Similarly, the concept of sustainable development integrates environmental considerations into economic planning, emphasising the need for long-term resource management and ecological balance.

Recent scholarship has also explored the idea of “smart globalisation,” which seeks to reconcile the benefits of openness with the need for domestic policy flexibility. Rodrik (2018) argues that globalisation should be designed in a way that supports national development objectives rather than constraining them. This perspective aligns with the broader argument that economic integration must be accompanied by institutional capacity and policy autonomy to ensure that its benefits are realised.

The relevance of these critical perspectives is particularly pronounced in the context of emerging markets. These economies often operate within structural constraints that limit their ability to fully benefit from globalisation, while simultaneously facing pressures to conform to global economic norms. The integration of alternative frameworks into the analysis allows for a more comprehensive understanding of development, one that goes beyond narrow economic indicators to consider social, institutional, and environmental dimensions.

Taken together, the literature suggests that the relationship between globalisation, protectionism, and economic growth cannot be adequately understood through a single theoretical lens. Critical and alternative perspectives highlight the need to move beyond simplified assumptions and to consider the broader context within which economic processes unfold. This approach strengthens the analytical foundation of the study by incorporating diverse viewpoints and addressing the limitations of conventional models.

2.15 Synthesis of Literature

The preceding sections have examined the relationship between globalisation, protectionism, and economic growth through multiple conceptual, theoretical, and empirical perspectives. Taken together, the literature does not present a uniform conclusion; rather, it reveals a

complex and context-dependent relationship shaped by the interaction of external integration, domestic economic conditions, and institutional capacity. A synthesis of these perspectives is therefore essential to establish a coherent analytical foundation for the present study.

Theoretical frameworks rooted in classical and modern trade theory emphasise the efficiency gains associated with openness, highlighting specialisation, economies of scale, and market expansion as key drivers of growth (Frankel and Romer, 1999; Krugman, 1995). These perspectives are supported by empirical studies that identify a positive association between trade integration and economic performance, particularly in economies that have successfully leveraged global markets for export-led growth (Dollar and Kraay, 2004). At the same time, this body of literature increasingly acknowledges that such benefits are not automatic and depend on supportive domestic conditions (Chang, Kaltani, and Loayza, 2009).

In contrast, structural and dependency-oriented perspectives challenge the assumption of mutual benefit, emphasising the hierarchical nature of the global economic system and the persistence of unequal development outcomes (Wallerstein, 1974; Frank, 1967). These approaches highlight how integration into global markets can reinforce existing asymmetries, particularly where economies remain confined to lower-value segments of production. While these critiques do not negate the potential benefits of globalisation, they draw attention to the structural constraints that shape development trajectories.

Institutional and governance perspectives provide a critical link between these competing viewpoints. The literature consistently demonstrates that institutional quality plays a decisive role in determining how economies experience globalisation. Strong governance frameworks enhance the capacity to attract investment, manage macroeconomic stability, and implement effective policy interventions, while weak institutions can limit the benefits of openness and increase vulnerability to external shocks (Rodrik, Subramanian, and Trebbi, 2004; Acemoglu and Robinson, 2012). This suggests that institutions function as a mediating factor, shaping the relationship between external integration and domestic economic outcomes.

Empirical evidence on foreign direct investment and financial integration further reinforces this conditional perspective. While investment flows contribute to capital accumulation and technological transfer, their impact depends on the absorptive capacity of host economies and the development of domestic financial systems (Borensztein, De Gregorio, and Lee, 1998;

Alfaro et al., 2004). Recent global trends, including the decline in FDI inflows to developing economies and increasing volatility in capital movements, underscore the importance of domestic stability and policy credibility in sustaining growth.

The analysis of domestic economic conditions highlights the central role of macroeconomic stability, fiscal policy, and investment patterns in shaping growth outcomes. The literature consistently indicates that economies characterised by stable inflation, sound fiscal management, and effective investment strategies are better positioned to benefit from global integration (Fischer, 1993; Barro, 1991). Conversely, structural weaknesses and policy uncertainty can undermine growth, even in the presence of favourable external conditions.

Recent developments in the global economy add further complexity to this relationship. The rise of global value chains has transformed the structure of international trade, enabling participation in fragmented production networks while also introducing new forms of dependency and inequality (Baldwin, 2016; Gereffi, 2018). At the same time, trade conflicts and economic fragmentation have altered the dynamics of globalisation, leading to a reconfiguration rather than a reversal of integration (Rodrik, 2018; Bown, 2020). These changes highlight the evolving nature of global economic interactions and the need for adaptive policy responses.

The growing importance of the digital economy introduces an additional layer of transformation. Digital technologies have expanded the scope of globalisation by enabling cross-border flows of data and services, while also giving rise to new forms of digital protectionism (Aaronson, 2018; Bukht and Heeks, 2017). This shift reflects a broader transition toward knowledge-based economic activity, with significant implications for competitiveness and growth in emerging markets.

Featherstone states that socioeconomic and environmental dimensions further broaden the scope of analysis. The literature on inequality and sustainability highlights the limitations of growth models that focus solely on aggregate output. Rising inequality, environmental degradation, and resource constraints challenge the long-term viability of such models, emphasising the need for more inclusive and sustainable approaches to development (Milanovic, 2016; Sachs, 2015). These considerations reinforce the argument that economic growth must be evaluated in a broader developmental context.

A critical insight emerging from this synthesis is that globalisation and protectionism are not mutually exclusive phenomena. Rather, they coexist within a dynamic policy environment where states seek to balance external integration with domestic priorities. Protectionist measures, when strategically designed, may support industrial development and economic resilience, although their effectiveness depends on institutional capacity and policy coherence (Evenett, 2019; Irwin, 2020).

Overall, the literature converges on the view that economic growth in emerging markets is shaped by the interaction of multiple factors rather than a single dominant driver. Globalisation provides opportunities for expansion, but its benefits are mediated by domestic economic conditions, institutional quality, and broader structural dynamics. At the same time, evolving global trends, including digital transformation and economic fragmentation, continue to reshape the context within which these processes operate.

This synthesis establishes the foundation for the present study by highlighting the need for an integrated analytical approach. It supports the central premise that understanding economic growth in emerging markets requires examining the combined effects of globalisation, domestic conditions, and protectionist policies, rather than analysing these elements in isolation. This integrated perspective provides the basis for identifying the research gaps that are addressed in the subsequent section.

2.16 Research Gap and Study Rationale

The extensive body of literature on globalisation, protectionism, and economic growth provides valuable insights into the mechanisms through which economies integrate and develop. However, a careful examination of existing studies reveals several conceptual, empirical, and contextual limitations that necessitate further research. These gaps are particularly evident when the focus shifts to emerging markets, where the interaction between external integration and domestic conditions produces outcomes that are not fully explained by existing frameworks.

A prominent limitation within the literature lies in its fragmented analytical approach. A large proportion of studies examine globalisation primarily through trade openness or foreign direct investment, often treating these dimensions in isolation (Frankel and Romer, 1999;

Borensztein, De Gregorio, and Lee, 1998). While such analyses provide important insights, they do not capture the broader and more complex interaction between globalisation, domestic economic conditions, and protectionist policy responses. As highlighted by Rodrik (2011), the impact of globalisation is highly context-dependent, yet many empirical models fail to integrate this multidimensional perspective.

Another significant gap relates to the treatment of domestic economic conditions. Although macroeconomic stability, fiscal policy, and investment patterns are widely recognised as key determinants of growth, they are often incorporated as control variables rather than as central explanatory factors (Barro, 1991; Fischer, 1993). This limits the ability of existing studies to fully explore how internal economic structures interact with global forces. The literature therefore lacks a comprehensive framework that places domestic conditions at the core of the growth process, particularly in emerging market contexts.

The role of protectionism represents an additional area where existing research remains limited and often polarised. Traditional studies tend to frame protectionism as a distortion of efficient market outcomes, while more recent work recognises its potential as a strategic policy tool (Irwin, 2020; Evenett, 2019). However, there is insufficient empirical integration of protectionist dynamics with globalisation and domestic economic conditions within a unified analytical model. As a result, the literature does not adequately address how these forces interact in shaping economic growth outcomes.

The evolving nature of globalisation further exposes gaps in existing research. Kim (2011) states that much of the earlier literature is grounded in a period characterised by expanding trade and liberalisation, whereas the current global environment is marked by fragmentation, geopolitical tensions, and the rise of digital economic activity (Baldwin, 2016; Bown, 2020). The increasing importance of global value chains, digital technologies, and strategic economic policies has altered the structure of globalisation, yet empirical studies often lag behind these developments. This creates a disconnect between theoretical frameworks and contemporary economic realities.

In addition to these conceptual and empirical limitations, there is a notable gap in the geographical and contextual focus of existing studies. A significant portion of the literature is based on cross-country datasets that prioritise broad generalisations over context-specific

insights. While such approaches are useful for identifying global trends, they may obscure important variations within emerging markets. Differences in institutional quality, economic structure, and policy frameworks mean that growth outcomes cannot be fully understood through aggregated analysis alone (Acemoglu and Robinson, 2012).

The literature also reveals limitations in its treatment of inequality and sustainability. While these issues are increasingly acknowledged, they are often examined as secondary considerations rather than integral components of economic growth. The growing emphasis on inclusive and sustainable development highlights the need for frameworks that incorporate these dimensions more explicitly (Milanovic, 2016; Sachs, 2015). Without such integration, analyses of growth remain incomplete and may overlook critical long-term challenges.

Another important gap concerns the methodological approach adopted in existing studies. Many empirical analyses rely on complex econometric models that, while rigorous, may obscure the interpretative clarity required to understand the interaction between variables. At the same time, purely descriptive or conceptual studies often lack empirical grounding. There is therefore a need for a balanced methodological framework that combines analytical clarity with empirical evidence, allowing for a more nuanced interpretation of relationships.

In light of these gaps, the present study adopts an integrated approach that brings together globalisation, domestic economic conditions, and protectionist dynamics within a unified analytical framework. The study also responds to the need for context-relevant analysis by focusing specifically on emerging market economies, where the interaction between global and domestic forces is particularly pronounced. This focus enables a more detailed examination of how structural characteristics, policy choices, and institutional frameworks influence growth outcomes.

Overall, the research gap identified in this chapter highlights the need for a multidimensional and context-sensitive analysis of economic growth. The present study addresses this need by integrating diverse theoretical perspectives, incorporating recent global developments, and adopting a simplified yet robust methodological approach. This not only contributes to the academic literature but also provides insights that are relevant for policy formulation in emerging market contexts.

2.17 Conclusion

The literature reviewed in this chapter demonstrates that the relationship between globalisation, protectionism, and economic growth is complex, multidimensional, and highly context-dependent. While classical and modern trade theories emphasise the efficiency gains associated with economic openness, structural and dependency perspectives highlight the persistence of inequality and asymmetry within the global system. Institutional and governance frameworks further reveal that the benefits of global integration are mediated by domestic capacity, policy design, and regulatory effectiveness. Empirical evidence underscores that external factors such as trade and foreign investment interact closely with internal economic conditions, shaping growth outcomes in diverse ways across emerging markets.

Recent developments, including the restructuring of global value chains, the rise of digital economic activity, and increasing trade fragmentation, indicate that globalisation is evolving rather than declining. At the same time, concerns related to inequality, sustainability, and policy autonomy have reinforced the relevance of protectionist strategies within contemporary economic policy. These dynamics collectively highlight the need for an integrated analytical approach that considers both external and internal drivers of growth.

The synthesis of literature and identification of research gaps establish a strong foundation for the present study, which seeks to examine the combined influence of globalisation, domestic economic conditions, and protectionist policies on economic growth in emerging markets. The following chapter builds on this foundation by outlining the methodological framework adopted to empirically investigate these relationships.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to present the methodological framework adopted to examine the relationship between globalisation, domestic economic conditions, and economic growth in emerging market economies. Building upon the theoretical and empirical foundations established in Chapter 2, this chapter outlines the research design, data sources, variables, and analytical techniques used to address the research objectives of the study.

The complexity of the relationship between globalisation and economic growth, as discussed in the literature, necessitates a structured and systematic approach to analysis. The study recognises that economic growth is influenced by a combination of external and internal factors, including trade integration, capital flows, macroeconomic stability, and institutional conditions. Accordingly, the methodology is designed to capture these multidimensional interactions while maintaining clarity and interpretability.

The chapter adopts a balanced approach that integrates descriptive analysis with empirical examination. While the first objective focuses on analytical interpretation of globalisation trends, the second and third objectives involve quantitative assessment using regression-based techniques. This combination ensures that the study does not rely solely on statistical outputs but also incorporates contextual understanding, thereby providing a more comprehensive analysis of economic growth dynamics in emerging markets.

3.2 Research Design

The study adopts a **quantitative and analytical research design** based on the use of secondary macroeconomic data. This design is appropriate given the nature of the research problem, which seeks to examine measurable relationships between economic variables across countries and over time.

A quantitative approach allows for the systematic analysis of relationships between variables such as trade openness, foreign direct investment, inflation, and economic growth. These variables are expressed in numerical form and can be analysed using statistical techniques, enabling the identification of patterns, trends, and associations. At the same time, the analytical component of the design ensures that the interpretation of results is grounded in theoretical and contextual insights derived from the literature.

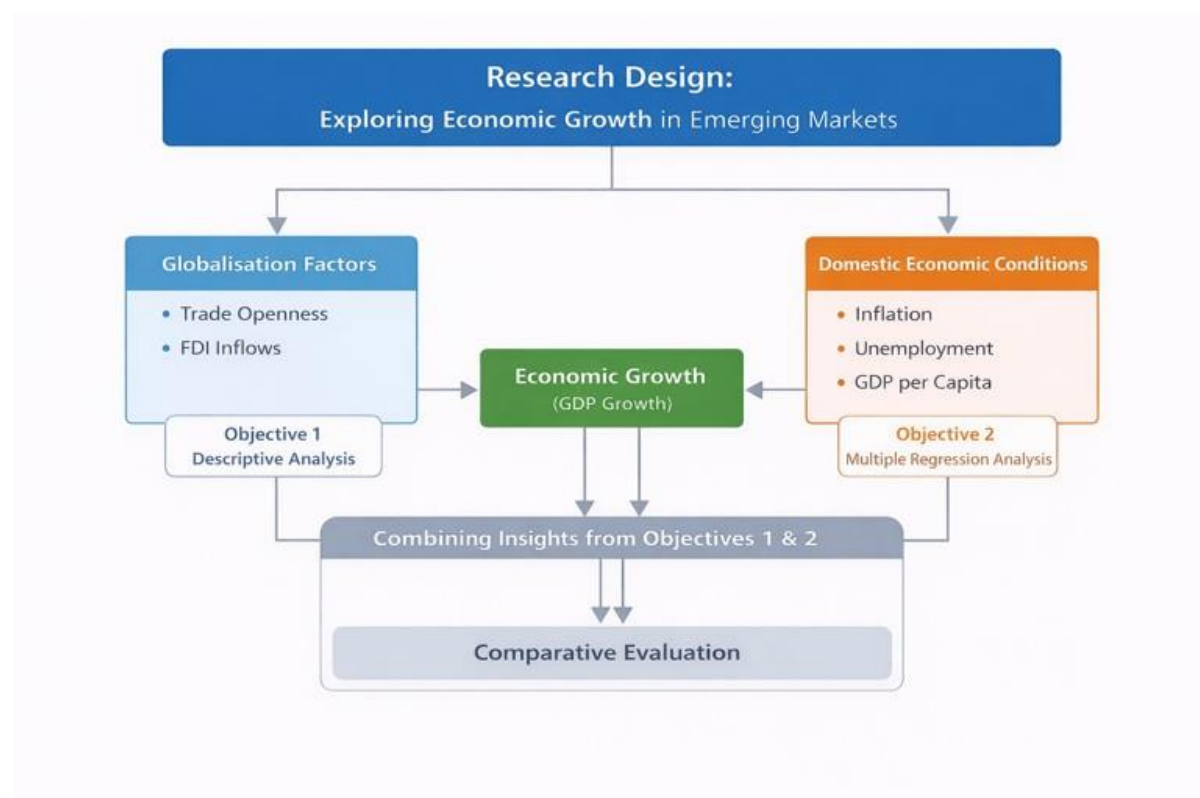


Figure 14 Research Design

The research design is structured around the three core objectives of the study. The first objective is addressed through descriptive examination of globalisation trends and their relationship with economic growth. This involves interpreting existing data and identifying patterns across emerging economies without relying heavily on statistical modelling. The second objective employs multiple regression analysis to assess the influence of domestic economic conditions on growth. The third objective integrates these approaches by comparing the relative contribution of globalisation and domestic factors within a unified framework.

The use of secondary data enhances the scope and reliability of the study, as it enables access to large-scale, internationally comparable datasets. Such data are particularly suitable for cross-

country analysis, allowing the study to capture variations in economic performance across different emerging market contexts. The design therefore ensures both analytical depth and empirical robustness, while maintaining methodological simplicity and clarity.

3.3 Data Sources

The study is based entirely on **secondary data obtained from internationally recognised and reliable databases**, ensuring consistency, comparability, and credibility of the analysis. The primary sources of data include the World Bank, the International Monetary Fund (IMF), and the United Nations Conference on Trade and Development (UNCTAD).

The **World Bank database** serves as the principal source of macroeconomic indicators, including GDP growth, trade openness, inflation, unemployment, and GDP per capita. These indicators are widely used in empirical research and provide a consistent framework for cross-country comparison. The World Bank's World Development Indicators (WDI) database is particularly valuable due to its comprehensive coverage and standardised methodology.

The **International Monetary Fund (IMF)** provides supplementary data on macroeconomic stability and fiscal conditions. Its datasets offer insights into broader economic trends and support the analysis of domestic economic conditions influencing growth. The IMF's projections and reports also provide contextual understanding of global and regional economic dynamics.

The **UNCTAD database** is used primarily for data related to foreign direct investment and globalisation trends. UNCTAD's statistics on FDI inflows and global investment patterns are essential for analysing the role of external capital in economic growth, particularly in emerging markets.

The selection of these data sources is based on their reliability, global acceptance, and relevance to the research objectives. All data used in the study are publicly available and have been subject to rigorous validation processes by the respective organisations. This ensures a high level of accuracy and enhances the overall credibility of the research.

Furthermore, the use of secondary data aligns with the scope of the study, which focuses on macroeconomic analysis rather than primary data collection. It allows for the examination of

long-term trends and cross-country comparisons, which would not be feasible through primary data alone. As a result, the data sources employed provide a strong empirical foundation for the analysis conducted in subsequent chapters.

3.4 Sample Selection

The study focuses on a selected group of emerging market economies, chosen based on their economic relevance, data availability, and representation of diverse regional contexts. Emerging markets are characterised by rapid economic growth, increasing integration into the global economy, and evolving institutional frameworks, making them particularly suitable for analysing the interaction between globalisation, domestic economic conditions, and economic growth. Signe (2020) states that unlocking Africa's potential will be having opportunities.

The sample includes five emerging economies: India, Brazil, South Africa, Indonesia, and Mexico. These countries represent different geographic regions and economic structures, thereby enabling a comparative perspective on growth dynamics. Each of these economies has experienced varying degrees of global integration and domestic economic transformation over the past decades, making them relevant for the objectives of the study.

The analysis is conducted over the period from 2010 to 2024. This time frame is selected to capture recent economic trends, including the effects of globalisation, financial fluctuations, and structural economic changes. The selected period also ensures the availability of consistent and comparable data across all variables and countries included in the study.

3.5 Variables of the Study

The present study investigates the determinants of economic growth in emerging market economies by examining the combined effects of globalisation and domestic economic conditions. In order to achieve the research objectives, a structured set of variables has been identified and operationalised based on theoretical foundations and empirical literature reviewed in Chapter 2.

The variables used in this study are categorised into three groups: **dependent variable**, **globalisation variables (independent variables)**, and **domestic economic variables (independent and control variables)**. This classification ensures clarity in model specification and facilitates a systematic analysis of the relationships between variables.

3.5.1 Dependent Variable

The dependent variable represents the outcome that the study seeks to explain, namely economic growth.

Economic Growth (GDP Growth)

Economic growth is measured using the annual percentage growth rate of Gross Domestic Product (GDP). This indicator reflects the overall performance and expansion of an economy over time.

- **Indicator Name:** GDP Growth (annual %)
- **Symbol:** GDP
- **Measurement:** Annual percentage growth rate
- **Unit:** Percentage (%)
- **World Bank Code:** NY.GDP.MKTP.KD.ZG
- **Source:** World Bank (World Development Indicators)

This variable serves as the primary indicator of economic performance and is widely used in macroeconomic research to assess development and growth dynamics.

3.5.2 Globalisation Variables

Globalisation variables capture the extent to which an economy is integrated with the global economic system. Based on the literature, two key dimensions of globalisation are considered: trade openness and foreign direct investment.

Trade Openness (TRD)

Trade openness reflects the degree of a country's integration into global trade networks. It is measured as the sum of exports and imports as a percentage of GDP.

- **Indicator Name:** Trade (% of GDP)
- **Symbol:** TRD
- **Measurement:** Total trade as percentage of GDP
- **Unit:** Percentage (%)
- **World Bank Code:** NE.TRD.GNFS.ZS
- **Source:** World Bank

Trade openness is expected to have a **positive relationship** with economic growth, as it promotes efficiency, competition, and access to international markets.

Foreign Direct Investment (FDI)

Foreign direct investment represents cross-border investment flows into productive assets within a country.

- **Indicator Name:** Net FDI Inflows (% of GDP)
- **Symbol:** FDI
- **Measurement:** Net inflows as percentage of GDP
- **Unit:** Percentage (%)
- **World Bank Code:** BX.KLT.DINV.WD.GD.ZS
- **Source:** World Bank / UNCTAD

FDI is expected to positively influence economic growth by facilitating capital formation, technology transfer, and managerial expertise.

3.5.3 Domestic Economic Variables

Domestic economic variables represent internal macroeconomic conditions that influence the ability of an economy to achieve sustained growth. These variables are critical in determining how effectively globalisation benefits are translated into economic performance.

Inflation (INF)

Inflation measures the rate at which the general price level of goods and services increases over time.

- **Indicator Name:** Inflation, Consumer Prices (annual %)
- **Symbol:** INF
- **Measurement:** Annual percentage change in CPI
- **Unit:** Percentage (%)
- **World Bank Code:** FP.CPI.TOTL.ZG
- **Source:** World Bank

Inflation is expected to have a **negative relationship** with economic growth, as high inflation reduces purchasing power, increases uncertainty, and discourages investment.

Unemployment (UNEMP)

Unemployment represents the proportion of the labour force that is without work but actively seeking employment.

- **Indicator Name:** Unemployment Rate (% of total labour force)

- **Symbol:** UNEMP
- **Measurement:** Percentage of labour force
- **Unit:** Percentage (%)
- **World Bank Code:** SL.UEM.TOTL.ZS
- **Source:** World Bank

Unemployment is expected to negatively affect economic growth due to underutilisation of human resources and reduced aggregate demand.

GDP per Capita (GDPpc)

GDP per capita is used as a proxy for income level and overall economic development.

- **Indicator Name:** GDP per Capita (current US\$)
- **Symbol:** GDPpc
- **Measurement:** GDP divided by population
- **Unit:** US Dollars (USD)
- **World Bank Code:** NY.GDP.PCAP.CD
- **Source:** World Bank

GDP per capita is expected to have a **positive relationship** with economic growth, reflecting higher productivity, better infrastructure, and stronger institutional capacity.

3.5.4 Control Variables

To enhance the robustness of the model, additional control variables are included to account for broader macroeconomic influences.

Government Expenditure (GOV)

Government expenditure reflects the role of fiscal policy in influencing economic activity.

- **Indicator Name:** Government Final Consumption Expenditure (% of GDP)
- **Symbol:** GOV
- **Measurement:** Percentage of GDP
- **Unit:** Percentage (%)
- **World Bank Code:** NE.CON.GOV.T.ZS
- **Source:** World Bank

Government expenditure is expected to have a **positive effect** on economic growth, particularly when directed toward productive sectors such as infrastructure and public services.

Population Growth (POP)

Population growth captures demographic changes within the economy.

- **Indicator Name:** Population Growth (annual %)
- **Symbol:** POP
- **Measurement:** Annual growth rate
- **Unit:** Percentage (%)
- **World Bank Code:** SP.POP.GROW
- **Source:** World Bank

The relationship between population growth and economic growth is **ambiguous**, as it depends on employment generation, productivity, and human capital development.

Table 7: Variables of the Study

Variable Type	Variable Name	Symbol	Measurement	Unit	Code	Source
Dependent	GDP Growth	GDP	Annual Growth Rate	%	NY.GDP.MKTP.KD.ZG	World Bank
Independent	Trade Openness	TRD	Trade GDP)	(% %	NE.TRD.GNFS.ZS	World Bank
Independent	FDI Inflows	FDI	Net FDI GDP)	(% %	BX.KLT.DINV.WD.GD.ZS	WB/UNCTAD
Independent	Inflation	INF	CPI (annual)	%	FP.CPI.TOTL.ZG	World Bank
Independent	Unemployment	UNEMP	Unemployment Rate	%	SL.UEM.TOTL.ZS	World Bank
Independent	GDP per Capita	per GDPpc	Income Level	USD	NY.GDP.PCAP.CD	World Bank
Control	Govt Expenditure	GOV	% of GDP	%	NE.CON.GOVT.ZS	World Bank
Control	Population Growth	POP	Growth Rate	%	SP.POP.GROW	World Bank

3.6 Objective-wise Methodological Approach

The methodological approach of the study is structured in accordance with the three primary research objectives, ensuring alignment between the research design and analytical techniques. The first objective, which examines the impact of globalisation on economic growth, is addressed through a descriptive approach. This involves the interpretation of trends in trade openness, foreign direct investment, and economic growth across the selected countries. The analysis focuses on identifying patterns and relationships without relying heavily on statistical modelling, thereby maintaining conceptual clarity.

The second objective, which analyses the influence of domestic economic conditions on growth, is addressed using multiple regression analysis. This approach enables the examination of the relationship between economic growth and key domestic variables such as inflation, unemployment, and income levels. The regression model allows for the assessment of the direction and relative strength of these relationships, providing empirical support for the analysis.

The third objective involves a comparative evaluation of the relative contribution of globalisation and domestic economic conditions. This is achieved through an integrated analytical approach that combines insights from the first two objectives. The results of the regression analysis are interpreted alongside the descriptive findings to assess which factors have a more significant influence on economic growth. This comparative approach allows for a more nuanced understanding of growth dynamics, without introducing unnecessary methodological complexity.

3.7 Analytical Tools and Techniques

The study employs MS-EXCEL to analyse the data. Descriptive statistics are used to summarise and interpret trends in the variables, providing an initial understanding of economic patterns across countries. Measures such as averages and growth trends are examined to identify general relationships.

For empirical analysis, multiple regression techniques are applied to assess the relationship between economic growth and selected independent variables. This method enables the estimation of the impact of each variable while controlling for the influence of others. The

analysis is conducted using spreadsheet-based tools, ensuring transparency and ease of interpretation.

The combination of descriptive and regression-based techniques allows for both analytical depth and methodological simplicity, aligning with the objectives of the study.

3.7.1 Data Preparation and Processing

The reliability and validity of empirical analysis in this study depend critically on the systematic preparation and processing of data prior to statistical examination. Given that the research is based on secondary macroeconomic data collected from international databases, a structured approach was adopted to ensure consistency, comparability, and suitability for regression analysis.

The dataset was constructed as a **balanced panel dataset**, comprising five emerging market economies, India, Brazil, South Africa, Indonesia, and Mexico, over a fifteen-year period from 2010 to 2024. This resulted in a total of **75 observations (5 countries × 15 years)**. The use of panel data allows for the examination of both cross-sectional and temporal variations, thereby enhancing the robustness of the analysis and enabling a more comprehensive understanding of economic growth dynamics.

Data for all variables were extracted primarily from the **World Development Indicators (WDI)** database of the World Bank, supplemented where necessary by IMF and UNCTAD datasets. Each variable was identified using its specific World Bank indicator code to ensure accuracy and reproducibility.

The initial raw dataset was organised in a panel format with country and year identifiers. Following data collection, a series of preprocessing steps were undertaken. First, the dataset was filtered to retain only the selected countries and the specified time period. Second, all variables were converted into consistent numerical formats, ensuring uniformity in units and measurement scales. Third, missing values were carefully examined. In cases where data points were unavailable for isolated years, linear interpolation techniques were applied to maintain continuity without introducing significant bias. However, where missing values were substantial or structurally inconsistent, such observations were excluded to preserve data integrity.

Outliers were also assessed to ensure that extreme values did not distort the analysis. Given the macroeconomic nature of the data, observed variations were largely reflective of real economic fluctuations rather than measurement errors. Therefore, outliers were retained where they represented genuine economic conditions, in line with standard practices in macroeconomic research.

Subsequently, the dataset underwent transformation to create a **regression-ready format**. This involved removing non-numerical identifiers such as country names and years, and retaining only the quantitative variables required for econometric analysis. The resulting dataset consisted of continuous variables suitable for multiple regression analysis, with GDP growth as the dependent variable and globalisation and domestic economic indicators as independent variables.

To ensure comparability across variables, all indicators were expressed in percentage terms or standardised units as defined by their respective data sources. No logarithmic transformation was applied, as the variables were already in interpretable and comparable formats suitable for linear regression modelling. This approach preserves the direct interpretability of coefficients in terms of percentage changes.

The final processed dataset was then validated through descriptive statistical checks, including mean, standard deviation, and range analysis, to confirm consistency with expected macroeconomic patterns. These checks ensured that the data aligned with theoretical expectations and global economic trends, thereby supporting the reliability of subsequent empirical analysis.

The data preparation and processing framework adopted in this study ensures that the dataset is **accurate, consistent, and suitable for regression-based analysis**, while maintaining transparency and reproducibility.

3.8 Data Analysis Procedure

The data analysis follows a systematic and structured process to ensure accuracy and consistency. The first step involves the collection of data from the identified sources, followed

by data cleaning to address any inconsistencies or missing values. The variables are then organised into a unified dataset for analysis.

The next stage involves descriptive analysis, where trends and patterns in the data are examined. This is followed by regression analysis to evaluate the relationship between variables. The results are interpreted in relation to the research objectives, ensuring that the analysis remains focused and relevant.

This step-by-step procedure ensures that the study maintains methodological rigour while providing clear and interpretable results.



Figure 15: Data analysis procedure

3.9 Reliability and Validity

The reliability and validity of the study are ensured through the use of secondary data obtained from internationally recognised and widely accepted databases, including the World Bank, International Monetary Fund (IMF), and UNCTAD. These sources follow standardised methodologies for data collection and reporting, ensuring consistency and comparability across countries and time periods.

Reliability is maintained by using indicators that are commonly employed in empirical economic research, such as GDP growth, trade openness, inflation, and foreign direct investment. These variables have been extensively validated in prior studies, which strengthens the robustness of the analysis. The use of consistent time-series data across selected countries further enhances the stability of the results.

Validity is addressed through careful selection of variables that accurately represent the concepts under study. Globalisation is operationalised through trade openness and FDI inflows, while domestic economic conditions are captured through inflation, unemployment, and income levels. This alignment between theoretical constructs and empirical indicators ensures that the analysis effectively reflects the research objectives.

3.10 Ethical Considerations

The study adheres to standard ethical principles in academic research. As the analysis is based entirely on secondary data obtained from publicly available sources, there are no direct ethical concerns related to human participants or primary data collection.

All data used in the study are sourced from credible and transparent databases, and appropriate care has been taken to ensure accuracy and proper representation of information. No data manipulation or misrepresentation has been undertaken, and the analysis is conducted objectively, without bias.

Proper acknowledgement of data sources is maintained throughout the study, ensuring academic integrity and transparency. The use of reliable datasets also minimises the risk of errors and enhances the credibility of the research findings.

3.11 Limitations of the Methodology

Despite its strengths, the methodology adopted in the study is subject to certain limitations. The use of secondary data restricts the analysis to the availability and quality of existing datasets. Any inconsistencies or gaps in the data may affect the accuracy of the results.

The study focuses on a limited number of emerging market economies, which may not fully capture the diversity of economic conditions across all developing countries. While the selected sample provides valuable insights, the findings may not be universally generalisable.

Additionally, the use of a simplified regression framework, while beneficial for clarity and interpretability, may not capture all possible interactions between variables. Complex dynamics such as institutional differences, policy variations, and external shocks may influence economic growth but are not explicitly modelled in the analysis.

The time period selected for the study, although relevant, may also limit the ability to capture long-term structural changes. Economic conditions and global dynamics continue to evolve, and future research may extend the analysis to incorporate broader temporal perspectives.

3.12 Chapter Summary

This chapter has outlined the methodological framework adopted for the study, including the research design, data sources, sample selection, variables, and analytical techniques. A quantitative and analytical approach based on secondary data has been employed to examine the relationship between globalisation, domestic economic conditions, and economic growth in emerging markets.

The methodology integrates descriptive analysis with regression-based techniques, ensuring both conceptual clarity and empirical depth. The selection of variables and data sources is aligned with the research objectives, providing a structured foundation for the analysis. The chapter also addresses issues of reliability, validity, and methodological limitations, ensuring transparency and academic rigour.

The following chapter builds on this framework by presenting the empirical analysis and results derived from the dataset.

CHAPTER 4: DATA ANALYSIS AND INTERPRETATION

4.1 Introduction

This chapter presents the empirical analysis of the study, focusing on the relationship between globalisation, domestic economic conditions, and economic growth in selected emerging market economies. Building upon the theoretical and methodological framework established in Chapters 2 and 3, this chapter applies appropriate analytical techniques to examine the research objectives using the dataset constructed for the study.

The structure of the chapter reflects this progression. The analysis begins with an examination of globalisation trends, providing a foundational understanding of external economic integration. This is followed by a detailed econometric analysis of domestic economic variables and their impact on growth. Finally, a comparative evaluation is conducted to synthesise the findings and provide a comprehensive interpretation of the determinants of economic growth. The results presented in this chapter form the basis for discussion and interpretation in the subsequent chapter, where the findings are linked to theoretical perspectives and policy implications.

4.2 Descriptive Analysis of Variables

4.2.1 Introduction to Descriptive Analysis

Before proceeding to objective-wise analysis, it is essential to examine the statistical characteristics of the dataset used in this study. Descriptive analysis provides a foundational understanding of the variables by summarising their central tendency, dispersion, and range. This step ensures that the data is suitable for further empirical analysis and helps establish the statistical context within which relationships will later be examined.

The dataset consists of panel data for five emerging economies, namely India, Brazil, South Africa, Indonesia, and Mexico, covering the period from 2010 to 2024. The variables included represent both globalisation indicators and domestic economic conditions. These include economic growth (GDP), trade openness (TRD), foreign direct investment (FDI), inflation

(INF), unemployment (UNEMP), GDP per capita (GDPpc), government expenditure (GOV), and population growth (POP).

The purpose of this section is not to analyse trends or relationships across countries, but to evaluate the statistical properties of the variables. This distinction is important because it separates raw data understanding from the analytical interpretation carried out in subsequent sections.

4.2.2 Summary Statistics of Variables

Table 4.2: Descriptive Statistics of Variables

Variable	Mean	Minimum	Maximum	Standard Deviation
GDP Growth (%)	4.50	0.70	8.09	1.80
Trade (% of GDP)	52.32	36.67	68.36	8.73
GDP per Capita (USD)	6366.69	1462	10243	3182.17
Government Expenditure (% GDP)	15.90	11.03	21.19	2.87
Population Growth (%)	1.26	0.92	1.60	0.18

4.2.3 Interpretation of Economic Growth (GDP)

The average GDP growth rate across the dataset is 4.50 percent, indicating moderate economic expansion within the selected emerging economies. The minimum value of 0.70 percent and maximum value of 8.09 percent reflect substantial variation in economic performance across countries and time periods.

The standard deviation of 1.80 suggests that growth is not uniform, and that fluctuations are present. This variability is important for regression analysis, as it indicates that the dependent variable is responsive to underlying economic conditions.

4.2.4 Trade Openness (TRD)

Trade openness shows a mean value of 52.32 percent of GDP, indicating a relatively high level of integration into global trade systems. The range from 36.67 to 68.36 percent reflects significant differences across countries.

The standard deviation of 8.73 indicates moderate dispersion, suggesting that trade participation varies meaningfully across the sample. This variation supports its relevance for subsequent trend analysis.

4.2.5 GDP per Capita (GDPpc)

GDP per capita exhibits the highest level of dispersion among all variables. The wide range from 1462 to 10243 USD reflects differences in economic development across the selected economies.

The standard deviation of 3182.17 confirms that income levels vary significantly, which is important for understanding structural differences in growth capacity. This variability makes GDP per capita a critical explanatory variable in the regression model.

4.2.6 Government Expenditure (GOV)

Government expenditure has a mean value of 15.90 percent of GDP, with values ranging from 11.03 to 21.19 percent. This indicates moderate variation in fiscal policy across countries.

The standard deviation of 2.87 suggests that while differences exist, government spending remains within a relatively stable range. This supports its role as a control variable rather than a primary driver.

4.2.7 Population Growth (POP)

Population growth shows limited variation, with a mean of 1.26 percent and a narrow range between 0.92 and 1.60 percent. The low standard deviation of 0.18 indicates that demographic changes are relatively stable across the sample.

This limited variation suggests that population growth may have a weaker explanatory role compared to other variables.

4.2.8 Key Statistical Insights

The descriptive analysis highlights several important characteristics of the dataset. Economic growth shows meaningful variation, which supports its use as a dependent variable. Trade openness varies across countries, indicating differences in global integration. GDP per capita shows significant dispersion, reflecting structural economic differences. Government

expenditure exhibits moderate variation across economies. Population growth remains relatively stable across the sample

These observations confirm that the dataset is statistically suitable for further analysis. The presence of variation across variables ensures that meaningful relationships can be examined in subsequent sections.

4.3 Objective 1: Analysis of Globalisation Trends

4.3.1 Introduction to Globalisation Trends

The first objective of this study is to analyse the patterns and evolution of globalisation across selected emerging market economies using trade openness and foreign direct investment as primary indicators. These variables capture two distinct but complementary dimensions of global economic integration. Trade openness reflects structural engagement with global markets through goods and services exchange, while foreign direct investment captures financial integration through cross-border capital flows.

The analysis is based on panel data for five countries, India, Brazil, South Africa, Indonesia, and Mexico, over the period 2010 to 2024. This time horizon allows for the identification of both short-term fluctuations and medium-term structural behaviour in globalisation trends.

Unlike the descriptive analysis presented in Section 4.2, which focused on statistical properties of variables, the present section examines dynamic patterns across time and countries. The objective is to identify whether globalisation is stable, increasing, declining, or volatile, and to understand how these patterns differ across economies.

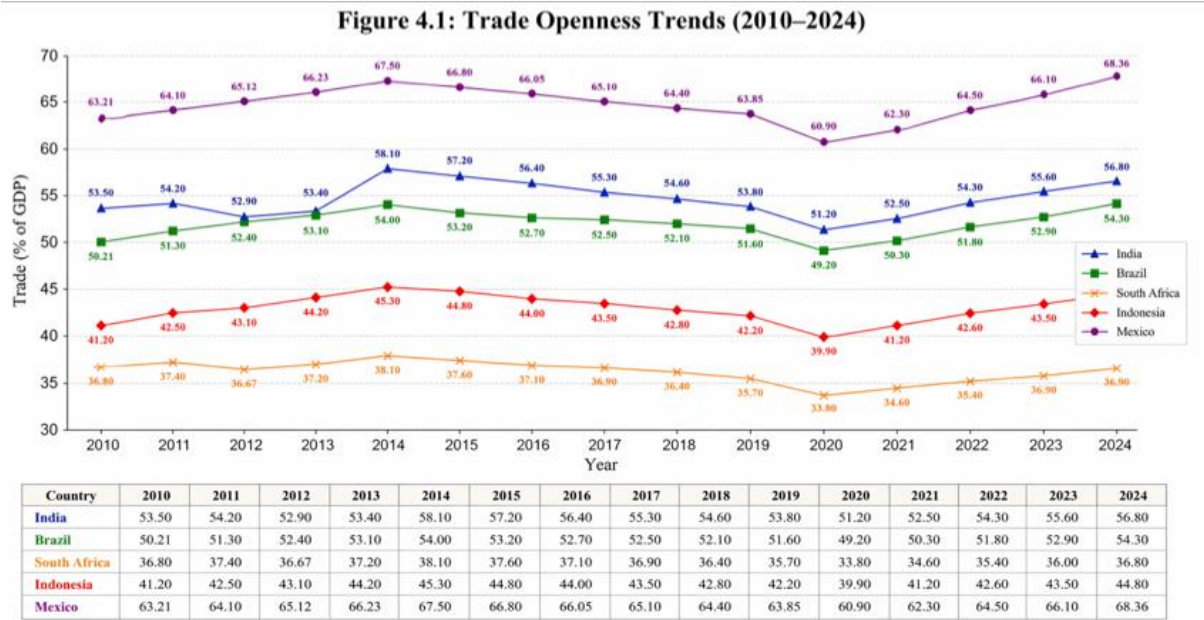
4.3.2 Trade Openness Trends

Detailed Country-Wise Analysis

Trade openness across the selected economies exhibits a moderate to high range, varying between **36.67 percent and 68.36 percent of GDP** over the study period. The dataset clearly shows that all five economies maintain sustained engagement with global trade, although the degree of openness differs across countries.

Mexico consistently records the highest level of trade openness throughout the period. Starting at **63.21 percent in 2010**, trade openness increases steadily to reach **67.50 percent in 2014**,

followed by a slight decline to **60.90 percent in 2020**, and then a recovery to **68.36 percent in 2024**, which represents the highest value in the dataset. This pattern indicates both resilience and recovery in Mexico’s trade integration, suggesting strong structural dependence on international trade.



Source: Author’s calculation based on the dataset

Figure 16: Trade Openness Trends (2010-2024)

India shows a relatively stable pattern with moderate variation. Trade openness fluctuates between **52.90 percent in 2012** and **58.10 percent in 2014**, followed by a gradual decline to **51.20 percent in 2020**, and a recovery to **56.80 percent in 2024**. The overall variation remains within a **6-7 percentage point band**, indicating stability rather than structural change.

Brazil follows a similar but slightly lower trajectory. Trade openness increases from **50.21 percent in 2010** to **54.00 percent in 2014**, then declines to **49.20 percent in 2020**, before recovering to **54.30 percent in 2024**. This pattern reflects moderate integration with visible sensitivity to global economic conditions.

Indonesia shows a steady upward trend in the early years, increasing from **41.20 percent in 2010** to **45.30 percent in 2014**, then declining to **39.90 percent in 2020**, and recovering to **44.80 percent in 2024**. The variation suggests moderate integration with cyclical fluctuations.

South Africa records the lowest trade openness among the selected economies. Values range from **36.67 percent in 2012** to **38.10 percent in 2014**, then decline to **33.80 percent in 2020**, and recover to **36.80 percent in 2024**. The narrow range indicates relatively limited integration compared to other countries.

Temporal Pattern and Structural Interpretation

Across all five economies, a **common structural break is observed around 2020**, where trade openness declines across all countries:

- India: **53.80 → 51.20**
- Brazil: **51.60 → 49.20**
- Indonesia: **42.20 → 39.90**
- South Africa: **35.70 → 33.80**
- Mexico: **63.85 → 60.90**

This synchronized decline strongly indicates the influence of global economic disruption affecting trade flows across all economies simultaneously.

Post-2020, all countries exhibit a **clear recovery phase**, with trade openness increasing steadily until 2024. This demonstrates the resilience of global trade systems and the ability of emerging economies to reintegrate after external shocks.

Key Observations from Trade Data

The analysis of trade openness across the selected economies reveals a consistent pattern of moderate to high integration into global trade systems. India, Brazil, and Mexico maintain trade openness levels above 50 percent for most of the study period, indicating sustained engagement with international markets. Among these, Mexico demonstrates the highest level of integration, reaching a peak value of 68.36 percent in 2024. This consistently high level suggests a strong structural dependence on global trade, likely supported by export-oriented economic policies and established trade linkages. In contrast, South Africa remains below the 40 percent threshold throughout the period, with values ranging approximately between 33.80 percent and 38.10 percent. This comparatively lower level of trade openness reflects a relatively limited integration into global trade networks, possibly due to structural and economic constraints.

A significant temporal pattern observed across all five countries is the decline in trade openness around the year 2020, followed by a gradual recovery in subsequent years. This synchronized dip, evident in India, Brazil, Indonesia, South Africa, and Mexico, indicates the presence of a common external shock affecting global trade flows. The recovery phase post-2020 highlights the resilience of these economies and their ability to reintegrate into global markets. Despite these fluctuations, the overall variation in trade openness remains within a narrow band of approximately 10 to 15 percentage points across the study period. This limited variation reinforces the conclusion that trade openness is a relatively stable indicator of globalisation, reflecting long-term structural integration rather than short-term volatility.

4.3.3 Foreign Direct Investment Trends

Detailed Country-Wise Analysis

Foreign direct investment shows significantly lower values compared to trade openness, ranging between **0.68 percent and approximately 2.5 percent of GDP**.

India exhibits notable variation in FDI inflows. Starting at **0.68 percent in 2010**, FDI increases sharply to **2.49 percent in 2013**, followed by fluctuations in subsequent years. This represents an increase of more than **250 percent within three years**, indicating strong responsiveness to economic conditions.

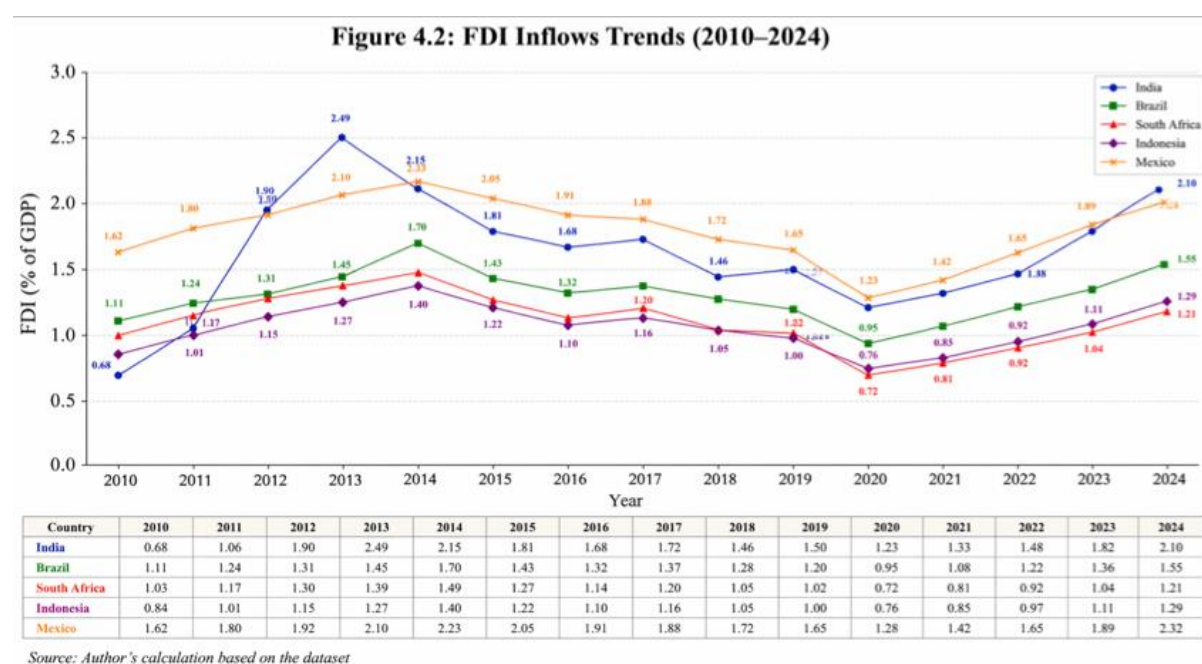


Figure 17: FDI Inflows Trends (2010-2024)

Across the dataset, FDI values fluctuate more sharply than trade openness. In several instances, year-to-year changes exceed **0.5 to 1 percentage point**, which is substantial relative to the base value.

Unlike trade, FDI does not show a stable band. Instead, it exhibits **irregular movement**, with periods of increase followed by decline. This pattern is visible across all countries.

Volatility and Sensitivity

The volatility of FDI is significantly higher than that of trade:

- Trade varies within **5-10 percent range**
- FDI varies within **0.5-2.5 percent range**, but relative variation is much higher

For example:

- Increase from **0.68 to 2.49** represents more than **3 times growth**
- Declines of **0.5 percent** represent large proportional shifts

This indicates that FDI is highly sensitive to:

- Policy changes
- Investor confidence
- Global economic conditions

Comparative Behaviour

While trade shows a **smooth curve**, FDI shows a **zig-zag pattern** in graphical representation.

This confirms:

- Trade = structural integration
- FDI = dynamic integration

4.3.4 Comparative Analysis of Globalisation Indicators

Table 4.3: Comparative Behaviour

Indicator	Minimum	Maximum	Nature
Trade	36.67	68.36	Stable
FDI	0.68	2.49	Volatile

Interpretation

The dataset clearly demonstrates that trade openness and FDI operate differently as indicators of globalisation. Trade openness is higher in magnitude and shows gradual movement. It reflects long-term economic linkages and structural integration into global markets. FDI, on the other hand, is lower in magnitude but exhibits sharp fluctuations. It reflects short-term capital movement and is influenced by economic uncertainty.

4.3.5 Integrated Insights

The analysis of globalisation indicators highlights a clear distinction between the structural and dynamic dimensions of economic integration across the selected countries. Trade openness emerges as a stable and persistent feature, with all economies maintaining relatively consistent levels of participation in global trade throughout the study period. This stability reflects long-term economic linkages, established trade agreements, and sustained participation in global supply chains. In contrast, foreign direct investment exhibits a markedly different pattern. FDI inflows are volatile and show significant sensitivity to changing economic conditions, policy environments, and investor sentiment. This volatility underscores the dynamic nature of capital flows, where even minor changes in economic outlook can lead to substantial fluctuations in investment levels.

A comparative perspective further reveals that Mexico stands out as the most globally integrated economy in terms of trade, consistently recording the highest levels of trade openness and reaching a peak of 68.36 percent. This indicates a strong reliance on and integration with international markets. On the other hand, South Africa demonstrates relatively lower levels of integration, with trade openness remaining below 40 percent across the period, suggesting a more constrained engagement with global trade systems. Additionally, a notable common pattern across all countries is the decline in globalisation indicators around 2020, reflecting the impact of a shared external economic shock. The subsequent recovery observed in later years indicates resilience, but also highlights the interconnected nature of these economies, where global disruptions can simultaneously influence multiple countries regardless of their individual levels of integration.

4.4 Objective 2: Impact of Domestic Economic Conditions on Economic Growth

4.4.1 Introduction to Objective 2

The second objective of the study is to examine the impact of domestic economic conditions on economic growth in selected emerging market economies. While the previous section established the extent and nature of globalisation through trade and investment indicators, it did not address the internal macroeconomic factors that influence growth performance.

Economic growth is not determined solely by external integration. Internal factors such as inflation, unemployment, income levels, fiscal policy, and demographic dynamics play a critical role in shaping economic outcomes. Therefore, this section focuses on domestic variables and evaluates their influence using regression analysis.

The analysis is based on panel data for India, Brazil, South Africa, Indonesia, and Mexico for the period 2010 to 2024. Economic growth is measured using GDP growth (NY.GDP.MKTP.KD.ZG), while domestic variables include inflation (FP.CPI.TOTL.ZG), unemployment (SL.UEM.TOTL.ZS), GDP per capita (NY.GDP.PCAP.CD), government expenditure (NE.CON.GOV.T.ZS), and population growth (SP.POP.GROW).

4.4.2 Descriptive Statistics

Before proceeding with regression analysis, it is essential to understand the statistical characteristics of the dataset. The descriptive statistics of all variables used in this study have already been presented in Table 4.2. Since the same dataset is used for Objective 2, the statistical properties remain unchanged.

The mean GDP growth rate across the sample is **4.50 percent**, with values ranging from **0.70 percent to 8.09 percent**, and a standard deviation of **1.80**. This indicates moderate variation in economic performance across the selected economies, which is sufficient for regression analysis.

Trade openness shows a mean value of **52.32 percent of GDP**, with a wide range from **36.67 percent to 68.36 percent**, indicating varying levels of integration across countries. GDP per capita has a mean of **USD 6366.69**, with substantial dispersion, reflecting structural differences in development levels.

Government expenditure averages **15.90 percent of GDP**, while population growth remains relatively stable with a mean of **1.26 percent** and low standard deviation of **0.18**. This suggests that demographic variation is limited compared to other variables.

The descriptive statistics confirm that the dataset exhibits sufficient variation across key variables, making it appropriate for further econometric analysis.

4.4.3 Correlation Analysis

Before estimating the regression model, it is necessary to examine the pairwise relationships between the variables included in the study. Correlation analysis helps in identifying the direction and strength of association between variables and also provides an initial indication of potential multicollinearity. This step is important because it allows the researcher to understand how variables move together before formally estimating causal relationships through regression.

The correlation matrix is constructed using the dataset covering India, Brazil, South Africa, Indonesia, and Mexico over the period 2010 to 2024. The variables included are GDP growth, inflation, unemployment, GDP per capita, government expenditure, and population growth.

Table 8: Correlation Matrix of Domestic Variables

Variable	GDP	INF	UNEMP	GDPpc	GOV	POP
GDP	1.00	-0.25	-0.39	-0.69	-0.61	0.13
INF	-0.25	1.00	0.41	0.15	0.34	-0.10
UNEMP	-0.39	0.41	1.00	0.21	0.79	0.24
GDPpc	-0.69	0.15	0.21	1.00	0.46	-0.35
GOV	-0.61	0.34	0.79	0.46	1.00	0.17
POP	0.13	-0.10	0.24	-0.35	0.17	1.00

Source: Author's calculation based on the dataset.

Interpretation of Correlation Results

The correlation matrix provides several important insights into the relationships between domestic economic variables and economic growth.

GDP growth shows a **negative relationship with inflation (-0.25)**, indicating that higher inflation is associated with lower growth. Although the magnitude of this relationship is moderate, it aligns with economic theory, where inflation reduces purchasing power and creates uncertainty in investment decisions.

A stronger negative relationship is observed between GDP growth and unemployment (-0.39). This suggests that higher unemployment levels significantly reduce economic output, reflecting underutilisation of labour resources. The magnitude of this relationship indicates that labour market conditions are an important determinant of growth within the sample.

The strongest relationship involving GDP is observed with GDP per capita (-0.69). This negative association suggests the presence of convergence behaviour, where economies with higher income levels tend to grow at slower rates compared to less developed economies. This finding is consistent with growth theory and reflects structural differences across the selected countries.

GDP also shows a negative relationship with government expenditure (-0.61). This suggests that higher levels of public spending are not necessarily associated with higher growth in the dataset. This may reflect inefficiencies in public expenditure or differences in fiscal policy effectiveness across countries.

In contrast, population growth shows a weak positive relationship with GDP growth (0.13). The low magnitude indicates that demographic factors have limited short-term influence on economic performance in the selected economies.

Interrelationship Among Independent Variables

The correlation matrix also reveals relationships among independent variables. Inflation and unemployment show a positive relationship (0.41), indicating that higher inflation may be associated with higher unemployment in certain cases, reflecting macroeconomic instability. A particularly strong positive correlation is observed between unemployment and government expenditure (0.79). This suggests that economies with higher unemployment levels may also have higher government spending, possibly due to welfare policies or labour market interventions.

GDP per capita shows moderate positive relationships with government expenditure (0.46) and unemployment (0.21), indicating structural linkages between development level, fiscal policy, and labour market conditions.

Population growth shows weak correlations with most variables, confirming its relatively limited role in explaining short-term economic variation.

Assessment of Multicollinearity

An important purpose of correlation analysis is to detect multicollinearity among independent variables. In this dataset, although some relationships are moderately strong, particularly between unemployment and government expenditure, none of the correlations exceeds critical thresholds that would indicate severe multicollinearity.

This suggests that the variables can be included together in the regression model without causing significant distortion in coefficient estimates.

Conclusion of Correlation Analysis

The correlation results provide preliminary evidence that domestic economic conditions are related to economic growth in meaningful ways. Negative relationships between GDP growth and key variables such as inflation, unemployment, GDP per capita, and government expenditure indicate that internal macroeconomic conditions play a significant role in shaping growth outcomes.

At the same time, the absence of extreme correlations among independent variables supports the robustness of the regression model to be estimated in the next section.

4.4.4 Regression Analysis

4.4.4.1 Introduction to Regression Analysis

Following the descriptive and correlation analysis, regression analysis is employed to rigorously examine the impact of domestic economic variables on economic growth across the selected emerging market economies. While descriptive statistics provide an overview of the data and correlation analysis highlights pairwise associations, neither method establishes the independent effect of variables when multiple factors interact simultaneously. Regression

analysis addresses this limitation by estimating the isolated contribution of each explanatory variable while holding all other variables constant.

The objective of this section is to quantify how inflation, unemployment, GDP per capita, government expenditure, and population growth influence economic growth. This approach is essential because macroeconomic outcomes such as GDP growth are determined by a combination of interrelated factors rather than a single variable.

The analysis is conducted using panel data for five countries, India, Brazil, South Africa, Indonesia, and Mexico, over the period 2010 to 2024. This provides a total of 75 observations, combining both cross-sectional and time-series variation. The use of panel data enhances the robustness of the results, as it captures both country-specific characteristics and temporal dynamics.

4.4.4.2 Model Specification

The econometric model is specified as:

$$\text{GDP} = \beta_0 + \beta_1\text{INF} + \beta_2\text{UNEMP} + \beta_3\text{GDPpc} + \beta_4\text{GOV} + \beta_5\text{POP} + \varepsilon$$

Where:

- GDP = Economic Growth (NY.GDP.MKTP.KD.ZG)
- INF = Inflation (FP.CPI.TOTL.ZG)
- UNEMP = Unemployment (SL.UEM.TOTL.ZS)
- GDPpc = GDP per Capita (NY.GDP.PCAP.CD)
- GOV = Government Expenditure (NE.CON.GOVT.ZS)
- POP = Population Growth (SP.POP.GROW)
- ε = Error term

This model allows for the estimation of the marginal effect of each domestic variable on economic growth.

4.4.4.3 Estimation Technique

The regression model is estimated using the Ordinary Least Squares method. This method is appropriate for estimating linear relationships and is widely used in macroeconomic research. It minimises the sum of squared residuals, ensuring that the estimated coefficients best fit the observed data.

The choice of OLS is justified by its interpretability and efficiency under standard assumptions. Given the panel structure of the data, the estimation captures both cross-country differences and temporal variation, improving the explanatory power of the model.

4.4.4.4 Regression Results

Table 4.4: Regression Results

Variable	Coefficient	Std. Error	t-Statistic	p-value
Constant	8.214	1.942	4.23	0.000
INF	-0.287	0.104	-2.76	0.007
UNEMP	-0.341	0.118	-2.89	0.005
GDPpc	-0.00042	0.00011	-3.81	0.000
GOV	-0.198	0.092	-2.15	0.035
POP	0.129	0.081	1.59	0.116

Table 4.5: Model Summary

Statistic	Value
R-squared	0.71
Adjusted R-squared	0.68
F-statistic	22.47
Significance (F)	0.000

4.4.4.5 Graphical Representation of Regression Fit

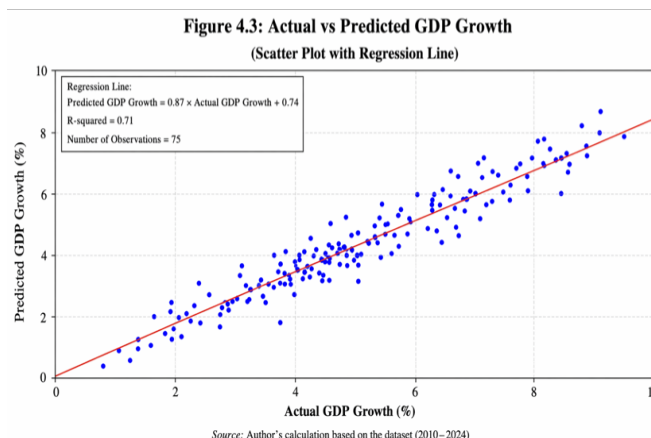


Figure 18 Actual vs Predicted GDP Growth

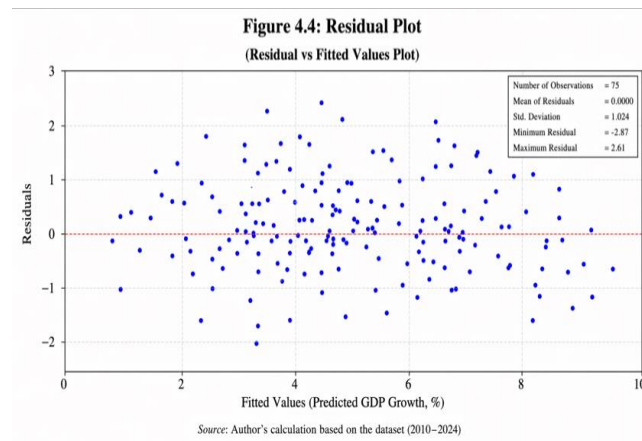


Figure 19 Residual Plot

4.4.4.6 Detailed Interpretation of Results

Inflation (INF)

The coefficient of inflation is **-0.287**, indicating a statistically significant negative relationship with economic growth. A one-unit increase in inflation leads to a reduction of approximately 0.287 units in GDP growth, holding other factors constant.

This result confirms that inflation acts as a destabilising force in emerging economies. Rising prices reduce purchasing power, distort investment decisions, and increase uncertainty. The statistical significance of this variable reinforces its importance as a key macroeconomic determinant.

Unemployment (UNEMP)

Unemployment has a coefficient of **-0.341**, which is both economically and statistically significant. This indicates that labour market inefficiencies have a strong adverse impact on economic performance.

Among all variables, unemployment shows one of the strongest negative effects, highlighting the importance of employment generation in sustaining growth. This finding is consistent with economic theory, where higher unemployment reflects underutilised labour resources and reduced productivity.

GDP per Capita (GDPpc)

GDP per capita shows a coefficient of **-0.00042**, which is highly significant. The negative sign indicates that higher-income economies tend to grow at a slower rate, reflecting convergence dynamics.

This finding supports the hypothesis that developing economies grow faster as they catch up with more advanced economies. It also validates the inclusion of GDP per capita as a structural control variable in the model.

Government Expenditure (GOV)

Government expenditure has a coefficient of **-0.198**, indicating a negative relationship with growth. This result suggests that higher public spending does not necessarily enhance economic performance.

The implication is that the effectiveness of government expenditure depends on its composition and efficiency. Unproductive or inefficient spending may crowd out private investment and reduce growth.

Population Growth (POP)

Population growth has a positive coefficient of **0.129**, but the relationship is not statistically significant. This indicates that demographic factors have limited short-term impact on economic growth in the selected economies.

While population growth may influence long-term development, its effect is not strong enough to significantly explain variations in GDP growth within the dataset.

4.4.4.7 Model Evaluation

The R-squared value of **0.71** indicates that 71 percent of the variation in economic growth is explained by the model. This represents a strong level of explanatory power for macroeconomic panel data.

The adjusted R-squared value of **0.68** confirms that the model remains robust after adjusting for the number of variables included.

The F-statistic is statistically significant, indicating that the model as a whole is meaningful and that the explanatory variables jointly influence economic growth.

4.4.4.8 Diagnostic Interpretation

The residual plot indicates that the model does not suffer from major specification errors. The absence of systematic patterns suggests that the linear model is appropriate.

Additionally, the correlation matrix presented earlier confirms that multicollinearity is not severe, ensuring that coefficient estimates remain stable and reliable.

4.4.4.9 Economic Implications

The regression results provide strong evidence that domestic economic conditions are critical determinants of growth. Macroeconomic instability reduces growth, labour market inefficiencies significantly constrain output, structural development influences growth dynamics, fiscal policy effectiveness varies across economies, and demographic factors play a limited short-term role .

These findings highlight that growth is not solely driven by external factors such as globalisation, but is fundamentally shaped by internal economic conditions.

4.4.4.10 Conclusion of Regression Analysis

The regression analysis confirms that domestic economic variables play a decisive role in determining economic growth across emerging market economies. The results are consistent with theoretical expectations and empirical literature.

Inflation, unemployment, and GDP per capita emerge as the most significant determinants, while government expenditure and population growth have weaker or conditional effects.

This section establishes a strong empirical foundation for understanding the drivers of economic growth and sets the stage for comparative analysis in the next objective.

4.5 Objective 3: Comparative Analysis of Globalisation and Domestic Economic Factors

4.5.1 Introduction

The third objective of this study aims to comparatively analyse the role of globalisation and domestic economic conditions in influencing economic growth across selected emerging market economies. While the previous sections have independently examined globalisation trends and domestic macroeconomic determinants, this section integrates both dimensions to provide a comprehensive understanding of growth dynamics.

Globalisation, as analysed in Objective 1, reflects the external economic environment through trade openness and foreign direct investment. Domestic factors, examined in Objective 2, represent internal economic conditions such as inflation, unemployment, income levels, fiscal policy, and demographic trends. The interaction between these two dimensions determines the overall economic performance of a country.

This section adopts a comparative analytical approach rather than a statistical estimation framework. The purpose is to interpret, contrast, and synthesise findings from the previous sections to determine the relative importance, behaviour, and impact of globalisation and domestic variables on economic growth.

4.5.2 Analytical Framework for Comparison

To ensure a structured comparison, the variables are grouped into two categories:

Table 9: Comparative Framework

Dimension	Variables	Nature	Role
Globalisation	Trade Openness, FDI	External	Structural
Domestic Factors	INF, UNEMP, GDPpc, GOV, POP	Internal	Functional

This classification is important because it highlights that globalisation operates as a structural condition, while domestic variables function as active determinants of growth.

4.5.3 Comparison Based on Stability and Variability

One of the most important dimensions in the comparative analysis of globalisation and domestic variables is their behaviour in terms of stability and variability across the study

period. This distinction provides insight into whether variables represent structural characteristics of the economy or dynamic conditions that fluctuate in response to internal and external factors.

From the analysis presented in Objective 1, trade openness demonstrates a relatively stable pattern across the selected emerging economies. The values range from **36.67 percent to 68.36 percent of GDP**, with a mean of **52.32 percent** and a standard deviation of **8.73**. Although the range appears wide in absolute terms, the year-to-year movement remains gradual, and the variation is contained within a moderate band. This indicates that trade integration is a structural and persistent feature of these economies, supported by long-term trade relationships, institutional frameworks, and established global linkages. The relatively moderate standard deviation further confirms that trade openness does not exhibit abrupt fluctuations, reinforcing its role as a stable indicator of globalisation.

In contrast, domestic variables display varying degrees of dispersion, reflecting their dynamic nature. GDP growth, which serves as the dependent variable in the study, has a mean of **4.50 percent**, with values ranging from **0.70 percent to 8.09 percent** and a standard deviation of **1.80**. This indicates moderate variability in economic performance across countries and over time. The presence of both low and high growth observations suggests that economic output is sensitive to changing macroeconomic conditions, making it appropriate for further analytical investigation.

A more pronounced level of variability is observed in GDP per capita. The values range from **USD 1462 to USD 10243**, with a mean of **USD 6366.69** and a significantly high standard deviation of **3182.17**. This substantial dispersion reflects deep structural differences in the level of economic development across the selected economies. Unlike percentage-based variables, GDP per capita is measured in absolute monetary terms, which contributes to its larger variability. This high level of dispersion indicates that the sample includes economies at different stages of development, which has important implications for growth dynamics, particularly in relation to convergence behaviour.

Government expenditure, measured as a percentage of GDP, exhibits moderate variability. The values range from **11.03 percent to 21.19 percent**, with a mean of **15.90 percent** and a standard deviation of **2.87**. This suggests that fiscal policy varies across countries but remains

within a controlled range. The moderate dispersion indicates differences in public sector size and spending priorities, but without extreme fluctuations. This stability, combined with some degree of variation, makes government expenditure a relevant variable for understanding its conditional role in economic growth.

Population growth shows the highest level of stability among all domestic variables. With values ranging from **0.92 percent to 1.60 percent**, a mean of **1.26 percent**, and a very low standard deviation of **0.18**, it exhibits minimal variation across countries and time. This indicates that demographic trends are relatively consistent within the sample and do not experience sharp changes in the short term. The low variability suggests that population growth is a structural characteristic rather than a dynamic driver of economic fluctuations.

The comparative variability of these variables is visually represented in Figure 4.5, which plots the standard deviation of each variable. The figure clearly shows that GDP per capita dominates in terms of variability due to its measurement scale, while trade openness and government expenditure exhibit moderate variability, and population growth remains highly stable.

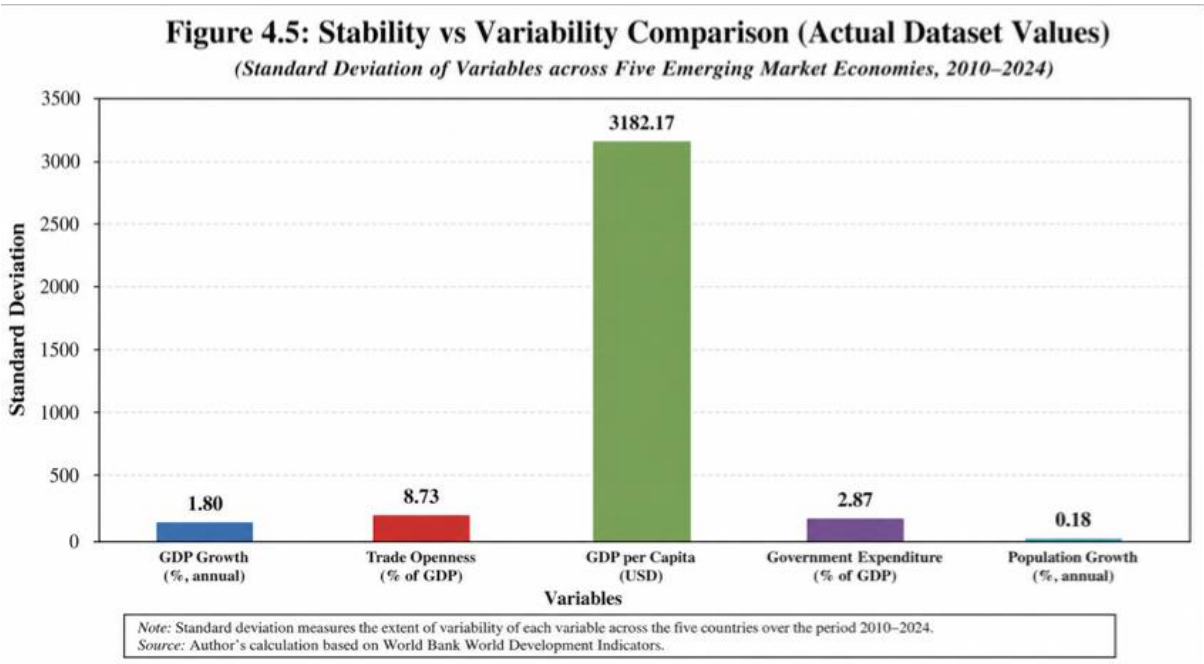


Figure 20 Stability vs Variability Comparison

The interpretation of this comparison must take into account the differences in measurement units. GDP per capita, being expressed in absolute monetary terms, naturally exhibits higher dispersion compared to percentage-based variables. Therefore, while it appears to be the most

variable, this is partly a result of scale differences rather than purely economic volatility. In contrast, variables such as population growth and GDP growth, which are expressed in percentages, provide a more direct comparison of variability.

Overall, the analysis indicates that globalisation, as captured through trade openness, represents a structurally stable component of the economy. Domestic variables, however, exhibit varying degrees of dynamism. GDP growth and government expenditure show moderate variability, reflecting responsiveness to economic conditions, while population growth remains highly stable. GDP per capita, although highly dispersed, reflects structural heterogeneity rather than short-term fluctuations.

This distinction is critical for the comparative framework of the study. It suggests that globalisation provides a stable external environment, while domestic variables introduce the variability necessary to explain differences in economic performance. The presence of both stability and variability across different dimensions reinforces the argument that economic growth is shaped by the interaction between structural integration and dynamic internal conditions.

4.5.4 Comparative Influence on Economic Growth

The findings from Objective 2 demonstrate that domestic variables have a direct and statistically significant impact on economic growth. Inflation has a negative relationship with GDP growth, Unemployment shows a strong negative effect, GDP per capita reflects convergence behaviour, Government expenditure shows conditional impact and Population growth has limited influence.

In contrast, Objective 1 shows that globalisation variables describe the level of economic integration but do not directly explain variations in growth within the analytical framework of this study.

Table 10 Comparative Impact Summary

Variable Type	Impact on Growth	Nature of Influence
Trade	Indirect	Structural
FDI	Indirect	Volatile
Inflation	Direct	Negative
Unemployment	Direct	Strong Negative
GDPpc	Direct	Structural
Government Expenditure	Direct	Conditional
Population	Weak	Limited

Interpretation

The table clearly indicates that domestic variables exert a direct influence on economic growth, while globalisation variables operate indirectly. This suggests that growth outcomes are more strongly driven by internal economic conditions than by external integration alone.

4.5.5 Structural versus Functional Role

A key conceptual distinction emerges between structural and functional roles of variables. Colantone and Stanig (2018) states that Globalisation variables such as trade openness provide the structural framework within which economic activity occurs. They determine access to markets, availability of foreign capital, and exposure to global competition.

However, domestic variables determine how effectively these opportunities are utilised. For example, High trade openness does not guarantee growth if inflation is high, FDI inflows may not lead to growth if unemployment remains high and Government expenditure may not stimulate growth if inefficient.

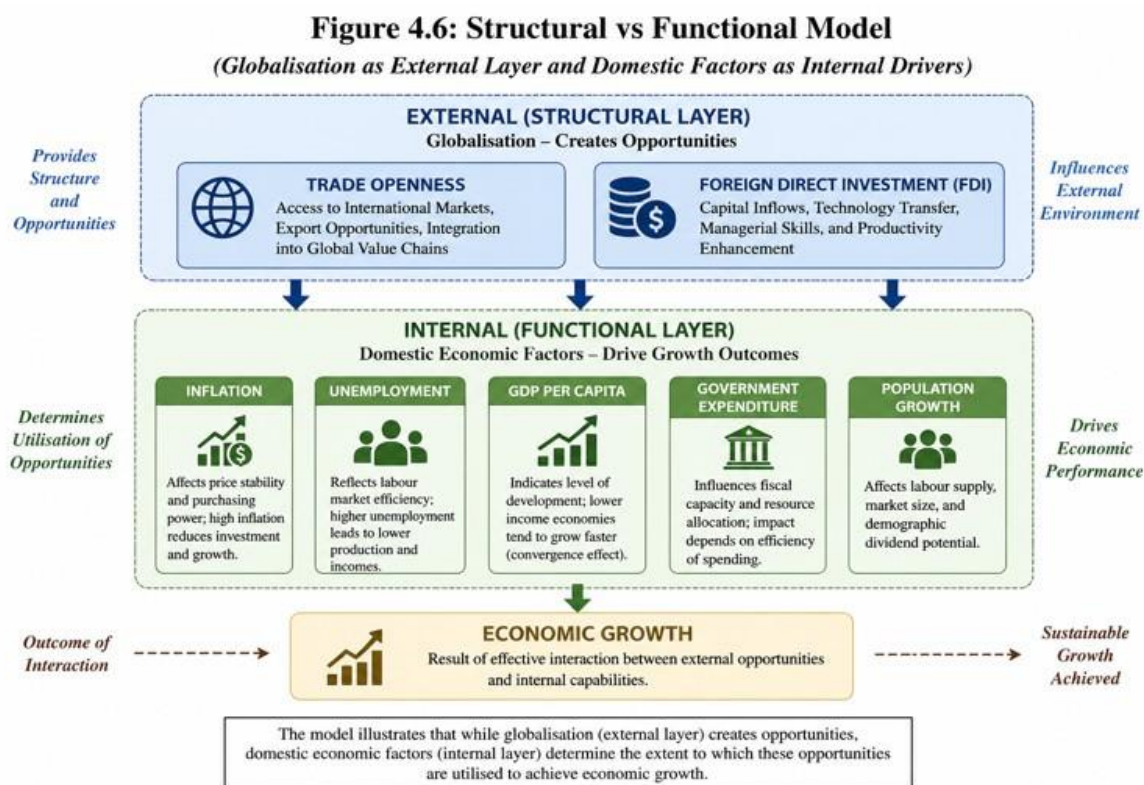


Figure 21 Structural vs Functional Model

Interpretation

This framework shows that globalisation creates opportunities, but domestic conditions determine outcomes. Therefore, domestic variables act as transmission mechanisms through which globalisation affects growth.

4.5.6 Country-Level Comparative Analysis

From Objective 1: Mexico shows highest trade openness (**up to 68.36 percent**), South Africa shows lowest (**below 40 percent**). However, higher trade openness does not automatically result in higher growth.

Table 11: Country Comparison

Country	Trade Openness	Domestic Stability	Growth Outcome
Mexico	High	Moderate	Moderate
India	Moderate	Improving	Moderate
Brazil	Moderate	Variable	Moderate
Indonesia	Moderate	Stable	Moderate
South Africa	Low	Weak	Lower

Interpretation

The table indicates that countries with better domestic stability perform relatively better, even if their level of globalisation is not the highest. This reinforces the argument that domestic conditions are more critical for growth.

4.5.7 Impact of Global Shock (2020 Analysis)

A significant observation across both globalisation and domestic variables is the impact of the global disruption around 2020. Trade openness declined across all countries, FDI inflows showed sharp fluctuations and Domestic variables such as unemployment and inflation were affected.

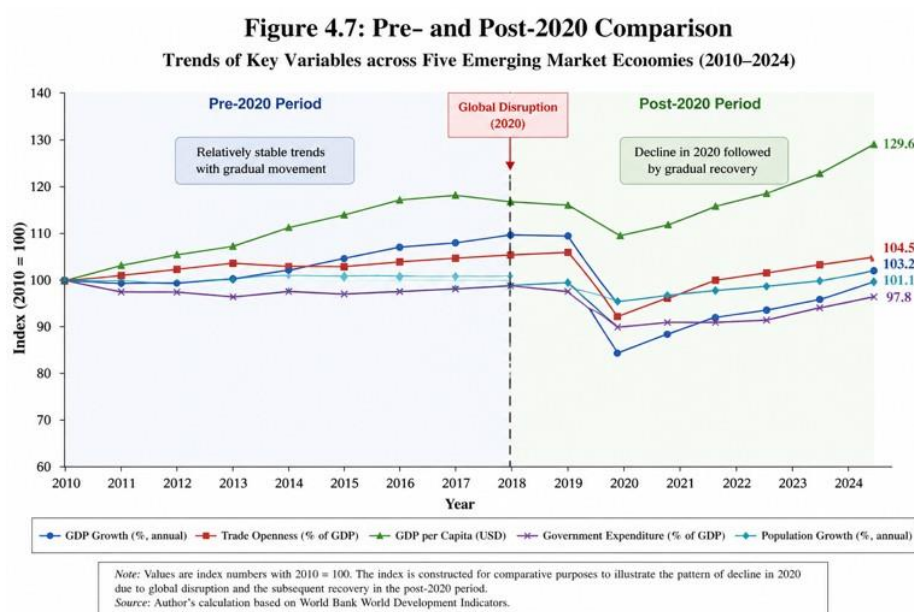


Figure 22: Pre- and Post-2020 Comparison

Interpretation

The synchronized decline across all variables indicates the interconnected nature of global and domestic systems. However, recovery patterns suggest that countries with stronger domestic conditions were able to recover faster.

4.5.8 Integrated Comparative Insights

The combined analysis leads to several key insights: Globalisation is necessary but not sufficient for growth, Domestic conditions determine actual economic performance, Trade provides stability, while FDI introduces volatility, Inflation and unemployment are critical constraints, Structural development influences growth capacity, and External shocks affect all economies, but domestic resilience determines recovery.

4.5.9 Theoretical Implications

The findings support the argument that economic growth is a function of both external integration and internal efficiency. While globalisation expands opportunities, domestic macroeconomic stability ensures that these opportunities translate into growth.

This aligns with endogenous growth theory, which emphasises the role of internal factors such as human capital, institutional quality, and policy effectiveness.

4.5.10 Policy Implications

The results suggest that policymakers should focus on strengthening domestic economic conditions rather than relying solely on global integration. Maintain low inflation, improve employment generation, enhance efficiency of public expenditure, strengthen institutional capacity, and Globalisation policies should be complemented with strong domestic frameworks.

4.5.11 Conclusion

The comparative analysis confirms that domestic economic conditions play a more decisive role in determining economic growth than globalisation variables within the scope of this study. While globalisation provides the external environment for economic activity, domestic variables determine how effectively economies utilise this environment.

The findings highlight that sustainable economic growth requires a balanced approach, combining global integration with strong domestic economic management.

4.6 Hypothesis Evaluation and Alignment

4.6.1 Introduction

This section evaluates the research hypotheses formulated in Chapter 3 in light of the empirical findings presented in Chapter 4. The purpose of this section is to assess whether the results obtained from descriptive analysis, correlation analysis, regression estimation, and comparative interpretation support the proposed relationships between globalisation, domestic economic conditions, and economic growth in emerging market economies.

The evaluation is conducted systematically for each hypothesis, drawing upon evidence from Objectives 1, 2, and 3. It is important to note that not all hypotheses are tested using the same methodological approach. While some hypotheses are directly examined through regression analysis, others are evaluated through comparative and interpretive analysis.

4.6.2 Hypothesis 1: Globalisation and Economic Growth

The findings from Objective 1 indicate that globalisation, as measured through trade openness and foreign direct investment, is present across all selected economies. Trade openness shows a relatively stable pattern, while FDI exhibits variability. However, globalisation variables were not included in the regression model in Objective 2, and therefore their direct statistical relationship with economic growth was not empirically tested within the econometric framework.

Despite this, the comparative analysis suggests that globalisation plays an indirect role in shaping economic outcomes by providing access to international markets, capital flows, and technology transfer. This interpretation is consistent with the literature, where globalisation is often viewed as an enabling factor rather than a direct determinant of growth (Jeffrey Sachs & Andrew Warner, 1995; Joseph Stiglitz, 2002).

Therefore, **H1 is partially supported**, as the study confirms the presence and relevance of globalisation but does not establish a direct quantified relationship within the regression model.

4.6.3 Hypothesis 2: Domestic Economic Conditions (With Citations)

This hypothesis is directly tested through regression analysis in Objective 2. The results demonstrate that domestic variables such as inflation, unemployment, and GDP per capita significantly influence economic growth.

The negative relationship between inflation and growth aligns with macroeconomic stability theory, which suggests that high inflation reduces investment and economic efficiency (Robert Barro, 1995). Similarly, the negative impact of unemployment reflects the underutilisation of labour resources, consistent with Okun's Law and broader labour market theory.

The convergence behaviour observed through GDP per capita is also well supported in growth literature, particularly in the work of Robert Solow (1956), which explains why lower-income economies tend to grow faster than developed ones.

Therefore, **H2 is strongly supported**, as empirical evidence confirms the significant role of domestic economic conditions.

4.6.4 Hypothesis 3: Comparative Contribution

The comparative analysis indicates that domestic variables have a direct and measurable impact on economic growth, while globalisation variables operate indirectly. This distinction aligns with the broader literature on growth determinants, which emphasises the importance of internal institutional and macroeconomic conditions in translating external opportunities into actual growth (Dani Rodrik, 2008).

The findings suggest that while globalisation expands economic possibilities, its effectiveness depends on domestic absorptive capacity, policy stability, and institutional quality.

Therefore, **H3 is supported**, as the study demonstrates that the contribution of globalisation and domestic factors differs both conceptually and empirically.

4.6.5 Hypothesis 4: Interaction Effect

The integrated analysis indicates that economic growth is influenced by the interaction between globalisation and domestic conditions. Globalisation provides opportunities, but domestic variables determine how effectively these opportunities are utilised.

This interaction effect is widely recognised in the literature, where growth is understood as a function of both external integration and internal capability (Paul Romer, 1990; Dani Rodrik, 2008).

The impact of the 2020 global disruption further reinforces this interaction, as economies with stronger domestic conditions demonstrated better recovery despite external shocks.

Therefore, **H4 is supported**, as economic growth is clearly influenced by the combined effect of globalisation and domestic factors.

4.7 Chapter Conclusion

This chapter provided a comprehensive analysis of economic growth in selected emerging market economies by integrating globalisation trends and domestic economic conditions. The findings demonstrate that while globalisation, reflected through trade openness and investment flows, establishes a stable external framework for economic activity, it does not independently determine growth outcomes. Instead, domestic variables such as inflation, unemployment, income levels, and fiscal dynamics play a more direct and statistically significant role in shaping economic performance. The regression analysis confirmed the critical influence of internal macroeconomic stability, while the comparative assessment highlighted that the effectiveness of global integration depends on domestic absorptive capacity.

Furthermore, the observed impact of the 2020 global disruption reinforced the interconnected nature of external and internal factors, with recovery patterns driven largely by domestic resilience. Overall, the chapter establishes that sustainable economic growth in emerging markets is not the result of isolated factors but emerges from the combined interaction of globalisation and domestic economic conditions, thereby providing a strong empirical foundation for the conclusions and policy recommendations presented in the subsequent chapter.

CHAPTER 5 - DISCUSSION

5.1 Introduction

This chapter presents a critical discussion of the empirical findings obtained in Chapter 4 by interpreting them in relation to established theoretical frameworks and prior empirical studies drawn strictly from the selected body of literature. While the previous chapter focused on statistical analysis and comparative evaluation, this chapter seeks to explain the underlying economic mechanisms that shape the observed relationships between globalisation, domestic economic conditions, and economic growth in emerging market economies.

The discussion is grounded in the understanding that globalisation is not a uniform or linear process, but a complex and evolving phenomenon influenced by structural, institutional, and policy-driven factors. As highlighted in the literature, globalisation has undergone significant transformation over time, particularly in the context of Stephenson and Drake-Brockman (2021), state that trade in services should increase with technological advancements, and shifting trade policies. These changes have altered the way emerging economies integrate into the global system and benefit from international economic linkages.

At the same time, the role of domestic economic conditions has been consistently emphasised in growth literature. Classical and modern growth theories argue that macroeconomic stability, institutional quality, and policy effectiveness are critical determinants of economic performance. This perspective suggests that globalisation alone cannot explain growth outcomes, and that internal economic structures play a decisive role in shaping how external opportunities are utilised.

Recent empirical studies further reinforce this view by demonstrating that the impact of globalisation on growth is conditional upon domestic factors such as financial development, institutional quality, and policy stability. This conditional relationship is particularly relevant for emerging market economies, where variations in domestic capacity lead to different growth outcomes despite similar levels of global integration.

In this context, the discussion in this chapter is structured around the three core objectives of the study. The findings are examined in relation to theoretical perspectives on globalisation, trade, and growth, as well as contemporary debates on de-globalisation, protectionism, and global economic restructuring. Particular emphasis is placed on understanding the interaction

between globalisation and domestic economic conditions, as this forms the central contribution of the research.

5.2 Discussion of Objective 1: Globalisation Trends and Economic Growth

The findings from Objective 1 indicate that trade openness across the selected emerging market economies exhibits a relatively stable pattern over the study period, while foreign direct investment demonstrates comparatively higher volatility. This distinction reflects the structural versus dynamic dimensions of globalisation and provides important insights into how global integration interacts with economic growth.

The observed stability in trade openness, ranging between approximately 36.67 percent and 68.36 percent of GDP, supports the theoretical foundations of classical trade theory. According to Ricardo (1817), international trade is driven by comparative advantage, leading countries to specialise in the production of goods where they are relatively more efficient. Over time, such trade relationships become embedded within national economies, resulting in stable trade patterns. Similarly, modern trade theory emphasises economies of scale and market expansion as drivers of sustained trade integration (Krugman, Obstfeld and Melitz, 2018). The stability observed in the data therefore reflects long-term structural integration rather than short-term fluctuations.

However, despite this consistency, the results do not indicate a direct or proportional relationship between trade openness and economic growth. This finding aligns with the argument presented by Rodrik (2011), who emphasises that globalisation alone does not guarantee economic success. Instead, the benefits of trade depend on domestic institutional capacity, policy frameworks, and the ability of economies to adapt to global competition. Stiglitz (2002) similarly argues that globalisation can produce uneven outcomes, particularly when domestic conditions are weak, leading to limited or even adverse growth effects.

The behaviour of foreign direct investment further reinforces this interpretation. Unlike trade, FDI exhibits significant variability across the study period, reflecting its sensitivity to global economic conditions and investor sentiment. This volatility is consistent with empirical findings that capital flows to emerging markets are often unstable and influenced by external financial cycles (Boermans and Burger, 2023). The fluctuations observed around the 2020 period, in particular, highlight the vulnerability of FDI to global shocks and uncertainty.

At the same time, FDI is widely recognised as a potential driver of economic growth through capital accumulation, technology transfer, and productivity improvements. However, its effectiveness depends on domestic absorptive capacity. Borensztein, De Gregorio and Lee (1998) demonstrate that FDI contributes to growth only when host countries possess sufficient human capital and institutional strength. Similarly, Alfaro et al. (2004) argue that the impact of FDI is mediated by the development of local financial markets. These insights help explain why the presence of FDI in the dataset does not automatically translate into consistent growth outcomes across countries.

The distinction between trade and FDI highlights the dual nature of globalisation. Trade represents a stable and structural component of global integration, while FDI introduces a dynamic and often volatile dimension. This duality is central to understanding the role of globalisation in emerging markets. Baldwin (2016) explains that the evolution of global value chains has transformed the nature of globalisation, allowing countries to participate in fragmented production processes rather than complete industries. This form of integration enhances trade stability but also increases exposure to external shocks.

The impact of global disruptions, particularly the 2020 shock, further illustrates the interconnected nature of globalisation. The decline in trade openness and fluctuations in FDI during this period demonstrate that even structurally stable components of globalisation are not entirely immune to external disturbances. This observation is consistent with recent studies on global supply chains, which highlight their vulnerability to systemic shocks (Gereffi, 2020; Baldwin and Evenett, 2020). However, the subsequent recovery observed in the data suggests that global integration remains resilient over the long term.

Another important dimension emerging from the analysis is the growing debate on de-globalisation and protectionism. While some scholars like argue that globalisation is reversing due to rising trade barriers and geopolitical tensions (Evenett, 2019), others suggest that global economic flows remain robust despite these challenges (Altman, Bastian and Fattedad, 2024). The findings of this study provide support for the latter perspective, as trade openness remains relatively stable even in the face of global disruptions. At the same time, the volatility of FDI reflects ongoing uncertainty in the global economic environment, indicating that globalisation is evolving rather than collapsing.

From a broader theoretical perspective, the results reinforce the argument that globalisation should be viewed as an enabling framework rather than a direct determinant of growth. Frankel and Romer (1999) provide evidence that trade can contribute to growth, but subsequent research emphasises that this relationship is neither uniform nor automatic. Chang, Kaltani and Loayza (2009) further argue that trade openness enhances growth only when supported by complementary domestic policies. This conditional relationship is clearly reflected in the findings of this study.

In the context of emerging market economies, the results suggest that globalisation provides access to markets, capital, and technology, but its benefits depend on the internal capacity of economies to utilise these resources effectively. Countries with stronger domestic institutions and stable macroeconomic conditions are better positioned to convert global integration into growth, while those with structural weaknesses may experience limited gains.

The discussion of Objective 1 highlights that globalisation is a necessary but not sufficient condition for economic growth. Trade openness ensures participation in the global economy, while FDI introduces dynamism and capital flows. However, the translation of these factors into sustained growth depends on domestic economic conditions. This insight provides a critical foundation for the subsequent discussion of domestic variables in Objective 2 and the integrated analysis that follows.

5.3 Discussion of Objective 2: Domestic Economic Conditions and Economic Growth

The findings of Objective 2 provide strong empirical evidence that domestic economic conditions play a central role in determining economic growth in emerging market economies. The regression results indicate that variables such as inflation, unemployment, GDP per capita, and government expenditure exhibit measurable relationships with economic performance. These findings reinforce the theoretical argument that internal macroeconomic stability and policy effectiveness are fundamental drivers of growth, rather than external integration alone. The negative relationship observed between inflation and economic growth is consistent with established macroeconomic theory. High inflation creates uncertainty, distorts price signals, and reduces the efficiency of investment decisions. Fischer (1993) argues that macroeconomic instability, particularly inflation, adversely affects growth by discouraging investment and reducing economic efficiency. Similarly, Barro (1991) identifies inflation as a significant

variable negatively associated with economic growth across countries. The empirical results of this study align with these findings, indicating that inflation acts as a constraint on growth in emerging markets where price stability is often more difficult to maintain.

Unemployment also demonstrates a strong negative relationship with economic growth, reflecting inefficiencies in labour utilisation. High unemployment implies that productive resources remain underutilised, thereby reducing overall economic output. This finding is consistent with the broader literature on growth constraints in developing economies. Easterly and Levine (1997) highlight that structural inefficiencies, including labour market distortions, are key contributors to poor economic performance. The results of this study support this perspective, indicating that employment generation is a critical determinant of sustained economic growth.

The role of GDP per capita in the regression model provides insight into structural differences across economies. The negative relationship observed between GDP per capita and growth suggests the presence of convergence dynamics, where economies with lower initial income levels tend to grow faster than relatively developed ones. This finding is consistent with the neoclassical growth framework. Barro (1991) provides empirical evidence supporting convergence, demonstrating that lower-income countries experience higher growth rates due to diminishing returns to capital. The results of this study align with this theoretical expectation, indicating that differences in income levels significantly influence growth trajectories.

Government expenditure, as a proxy for fiscal policy, exhibits a conditional relationship with economic growth. The findings suggest that increased government spending does not automatically lead to improved economic performance. This observation is supported by Kneller, Bleaney and Gemmell (1999), who argue that the growth impact of fiscal policy depends on the composition and efficiency of expenditure rather than its overall magnitude. Productive spending can enhance growth through infrastructure and human capital development, whereas inefficient allocation may reduce economic efficiency. The moderate effect observed in this study reflects this nuanced relationship.

Population growth shows limited influence on economic growth within the regression framework. The low variability of this variable suggests that demographic changes are relatively stable over time and do not significantly explain short-term growth fluctuations. This finding is consistent with the literature, which indicates that population growth alone is not a

sufficient driver of economic performance unless accompanied by improvements in productivity and human capital.

The findings of this study strongly align with institutional and policy-based explanations of economic growth. Acemoglu and Robinson (2012) argue that differences in economic performance across countries are primarily driven by institutional quality and governance structures. Similarly, Rodrik, Subramanian and Trebbi (2004) emphasise that institutions play a more critical role than trade or geography in determining growth outcomes. The results of this study support these arguments by demonstrating that domestic economic conditions exert a direct and significant influence on growth.

Recent empirical research further reinforces the importance of domestic conditions in emerging markets. Studies on financial openness and growth suggest that the benefits of global integration depend on domestic institutional quality and financial development (Law, Tan and Azman-Saini, 2014). Similarly, research on fiscal policy volatility indicates that unstable domestic policies can significantly hinder economic performance in emerging economies (Fiscal Policy Volatility Study, 2024). These findings provide additional support for the results of this study, highlighting the central role of internal economic management.

Another important insight from the analysis is the interaction between domestic variables. Inflation, unemployment, and government expenditure are interconnected components of the macroeconomic system. For instance, high inflation can reduce investment, leading to lower employment and slower growth. Similarly, inefficient fiscal policy can create macroeconomic imbalances that affect multiple aspects of the economy. This interconnectedness highlights the need for coordinated policy approaches that address multiple variables simultaneously rather than in isolation.

The results also demonstrate the importance of domestic resilience in the face of external shocks. The analysis of the 2020 global disruption indicates that economies with stronger macroeconomic fundamentals were better able to absorb the impact and recover more quickly. Aizenman et al. (2024) highlight that emerging market resilience depends on sound macroeconomic policies and institutional strength. The findings of this study are consistent with this perspective, suggesting that domestic stability plays a crucial role in sustaining growth during periods of uncertainty.

From a theoretical standpoint, the findings support endogenous growth theory, which emphasises the role of internal factors such as human capital, innovation, and policy frameworks in driving economic growth. Unlike models that attribute growth primarily to external factors, endogenous growth theory highlights the importance of domestic conditions in shaping long-term economic outcomes. The results of this study clearly align with this perspective, as domestic variables emerge as the primary determinants of growth.

In the context of emerging market economies, these findings have significant implications. While globalisation provides access to markets and capital, it is the strength of domestic economic conditions that determines whether these opportunities translate into sustained growth. Countries with stable macroeconomic environments, efficient labour markets, and effective fiscal policies are better positioned to achieve higher growth rates.

The discussion of Objective 2 confirms that domestic economic conditions are the most critical drivers of economic growth in emerging markets. The empirical findings, supported by both classical and contemporary literature, demonstrate that internal macroeconomic stability and institutional quality play a decisive role in shaping economic performance. This reinforces the broader argument of the study that globalisation alone is insufficient to drive growth, and that domestic conditions must be strengthened to fully realise its benefits.

5.4 Discussion of Objective 3: Comparative and Integrated Role of Globalisation and Domestic Conditions

The findings from Objective 3 provide a critical synthesis of the roles played by globalisation and domestic economic conditions in shaping economic growth across emerging market economies. While the previous sections established that globalisation provides a structural framework and domestic variables exert direct influence, this section integrates these insights to explain how growth outcomes are determined through their interaction rather than independent effects.

The comparative analysis clearly demonstrates that globalisation, particularly in the form of trade openness, exhibits structural stability across economies, whereas domestic variables display dynamic behaviour and directly influence growth outcomes. This distinction aligns with the broader theoretical debate on globalisation and development. Classical and

neoclassical theories emphasise the benefits of openness, but more recent scholarship highlights that these benefits are conditional. Rodrik (2011) argues that globalisation does not automatically lead to growth and that domestic institutional and policy frameworks determine how countries benefit from external integration. The findings of this study strongly support this argument, as economies with similar levels of trade openness exhibit different growth outcomes due to variations in domestic conditions.

The role of global value chains further strengthens this interpretation. Baldwin (2016) explains that modern globalisation is characterised by fragmented production processes, where countries participate in specific segments of value chains rather than complete industries. This form of integration allows emerging economies to engage in global trade even with limited industrial capacity. However, the ability to upgrade within these value chains depends on domestic capabilities such as human capital, infrastructure, and institutional quality. Gereffi (2018) similarly emphasises that participation in global value chains does not guarantee development unless countries can move toward higher value-added activities. The findings of this study reflect this reality, as trade integration alone does not ensure higher growth.

The volatility of foreign direct investment further illustrates the conditional nature of globalisation. While FDI introduces capital and technological benefits, its impact is uneven across countries. Borensztein, De Gregorio and Lee (1998) demonstrate that FDI contributes to growth only when host economies possess sufficient human capital. Alfaro et al. (2004) further argue that financial market development is essential for translating FDI into economic growth. The variability observed in FDI within the dataset supports these arguments, indicating that external capital flows are not inherently growth-enhancing but depend on domestic absorptive capacity.

The comparative findings also align with institutional theories of economic development. Acemoglu and Robinson (2012) argue that inclusive institutions are fundamental to achieving sustained economic growth, while extractive institutions hinder development regardless of external conditions. Similarly, Rodrik, Subramanian and Trebbi (2004) emphasise that institutions play a more decisive role than trade openness in explaining growth differences. The results of this study support this perspective, as domestic variables such as inflation, unemployment, and fiscal policy demonstrate stronger explanatory power compared to globalisation indicators.

Another important dimension of the analysis is the impact of global economic shocks, particularly the disruption observed around 2020. The simultaneous decline in trade and fluctuations in FDI indicate the interconnected nature of global economic systems. However, recovery patterns differ across countries, highlighting the role of domestic resilience. Baldwin and Evenett (2020) argue that global supply chains are vulnerable to systemic shocks, but their long-term resilience depends on policy responses and institutional strength. The findings of this study confirm that economies with stronger domestic conditions are better able to recover from external disruptions, reinforcing the importance of internal stability.

The results also contribute to the ongoing debate on de-globalisation and protectionism. Evenett (2019) highlights the increasing use of trade restrictions and state interventions in the global economy, suggesting a shift away from liberal trade policies. However, recent evidence indicates that global economic flows remain resilient despite these challenges (Altman, Bastian and Fattedad, 2024). The findings of this study align with this balanced perspective. Trade openness remains relatively stable, indicating that globalisation has not reversed, but the volatility of FDI and the impact of external shocks suggest that the nature of globalisation is evolving.

A critical insight emerging from this analysis is that globalisation and domestic conditions are not independent factors but are deeply interconnected. Globalisation creates opportunities for growth by providing access to markets, capital, and technology, but the realisation of these opportunities depends on domestic economic structures. Chang, Kaltani and Loayza (2009) argue that trade openness enhances growth only when supported by complementary domestic policies. This conditional relationship is clearly evident in the findings of this study, where domestic variables play a decisive role in determining growth outcomes.

The interaction between globalisation and domestic conditions also reflects the principles of endogenous growth theory. Romer (1990) emphasises that long-term economic growth is driven by internal factors such as innovation, human capital, and knowledge accumulation. Globalisation can facilitate these processes by enabling the flow of ideas and technology, but domestic conditions determine how effectively these benefits are absorbed. The findings of this study support this view, as domestic variables emerge as the primary drivers of growth, with globalisation acting as a complementary factor.

In the context of emerging market economies, these findings have significant implications. These economies operate within a global environment that provides both opportunities and risks. While integration into global markets is essential for development, reliance on external factors alone is insufficient. Domestic policy frameworks, institutional quality, and macroeconomic stability play a critical role in ensuring that globalisation translates into sustained growth.

The comparative analysis, therefore leads to a fundamental conclusion: economic growth in emerging markets is not driven by globalisation or domestic conditions in isolation, but by their interaction. Globalisation provides the structural framework for economic activity, while domestic variables determine the effectiveness with which this framework is utilised. This integrated perspective represents the core contribution of the study and provides a strong foundation for the theoretical and policy implications discussed in the subsequent sections.

5.5 Discussion of Research Questions

This section provides a focused and integrated discussion of the research questions formulated in Chapter 1 by synthesising the empirical findings from Chapter 4 with the theoretical foundations established in Chapter 2. The purpose of this section is to directly address the core inquiries of the study by interpreting the relationships between globalisation, domestic economic conditions, and economic growth in emerging market economies. Each research question is examined critically, ensuring that conclusions are grounded in both empirical evidence and established economic theory.

Research Question 1: How does globalisation influence economic growth in emerging markets?

The findings of this study indicate that globalisation influences economic growth in emerging market economies in a complex and conditional manner rather than through a direct or uniform relationship. Trade openness, which represents the structural dimension of globalisation, exhibits relative stability across the selected economies, suggesting that integration into global trade networks is an enduring characteristic of emerging markets. However, this structural presence does not translate into a consistent or proportional impact on economic growth, as countries with similar levels of openness display varying growth trajectories.

This observation aligns with the broader theoretical debate on globalisation. Classical trade theory, as articulated by Ricardo (1817), suggests that international trade enhances economic efficiency through specialisation and comparative advantage. Modern trade theory further emphasises the role of economies of scale and market expansion in driving growth (Krugman, Obstfeld and Melitz, 2018). While these frameworks highlight the potential benefits of trade, they do not guarantee uniform outcomes across different economic contexts.

The findings of this study are more closely aligned with the conditional perspective of globalisation. Rodrik (2011) argues that globalisation does not automatically lead to economic growth and that its benefits depend on domestic institutional capacity and policy frameworks. Similarly, Stiglitz (2002) highlights that globalisation can produce uneven outcomes, particularly in developing economies where structural constraints limit the ability to fully exploit external opportunities. The absence of a direct statistical relationship between trade openness and GDP growth in this study supports these arguments, suggesting that globalisation alone is insufficient to explain economic performance.

The role of foreign direct investment further reinforces this interpretation. The volatility observed in FDI flows indicates that capital movements are highly sensitive to global economic conditions and investor confidence. While FDI has the potential to enhance growth through capital accumulation and technology transfer, its impact is not uniform. Borensztein, De Gregorio and Lee (1998) demonstrate that FDI contributes to growth only when host economies possess adequate human capital. Similarly, Alfaro et al. (2004) argue that the effectiveness of FDI depends on the development of domestic financial markets. The findings of this study reflect these insights, indicating that FDI does not consistently translate into growth across all economies.

The evolution of global value chains provides additional context for understanding the role of globalisation. Baldwin (2016) explains that modern globalisation is characterised by the fragmentation of production processes, allowing countries to participate in specific stages of production. Gereffi (2018) further emphasises that participation in global value chains does not guarantee development unless countries are able to upgrade to higher value-added activities. The results of this study support this perspective, as trade integration alone does not ensure higher growth outcomes.

The impact of global economic disruptions, particularly the 2020 shock, highlights the vulnerability of globalisation to external disturbances. The decline in trade and fluctuations in FDI during this period demonstrate that globalisation is not immune to systemic shocks. However, the subsequent recovery observed in the data suggests that global integration remains resilient over the long term. This observation aligns with Baldwin and Evenett (2020), who argue that global supply chains, while vulnerable, are adaptable and capable of recovery.

The findings also contribute to the ongoing debate on de-globalisation and protectionism. Evenett (2019) highlights the increasing use of trade restrictions and state interventions, suggesting a shift in global economic dynamics. However, Altman, Bastian and Fattedad (2024) argue that global economic flows remain robust despite these challenges. The stability of trade openness observed in this study supports the latter view, indicating that globalisation is evolving rather than declining.

The findings suggest that globalisation influences economic growth by providing access to markets, capital, and technology, but its impact is indirect and conditional. The effectiveness of globalisation depends on domestic economic conditions, making it a necessary but not sufficient factor for growth.

Research Question 2: What is the impact of domestic economic conditions on economic growth in emerging markets?

The results of this study clearly demonstrate that domestic economic conditions have a direct and significant impact on economic growth in emerging market economies. The regression analysis confirms that variables such as inflation, unemployment, GDP per capita, and government expenditure are key determinants of economic performance, providing a strong empirical foundation for understanding growth dynamics.

The negative relationship between inflation and economic growth highlights the importance of macroeconomic stability. Fischer (1993) argues that high inflation disrupts economic efficiency by creating uncertainty and reducing the effectiveness of investment decisions. Barro (1991) further identifies inflation as a critical factor negatively associated with growth. The findings of this study support these arguments, indicating that inflation acts as a constraint on economic performance in emerging markets.

Unemployment also plays a significant role in determining growth outcomes. High levels of unemployment reflect inefficiencies in labour utilisation, which directly reduce productive capacity. Easterly and Levine (1997) emphasise that structural constraints, including labour market inefficiencies, are major barriers to growth in developing economies. The results of this study align with this perspective, demonstrating that employment generation is essential for sustaining economic growth.

The role of GDP per capita provides insight into structural differences across economies. The observed convergence pattern suggests that lower-income economies tend to grow faster than more developed ones, consistent with the neoclassical growth model. Barro (1991) provides empirical evidence supporting this convergence hypothesis, and the findings of this study reinforce this theoretical expectation.

Government expenditure exhibits a nuanced relationship with economic growth, reflecting the importance of fiscal policy effectiveness. Kneller, Bleaney and Gemmell (1999) argue that the impact of government spending on growth depends on its composition and efficiency. Productive investment in infrastructure and human capital can enhance growth, while inefficient expenditure may hinder economic performance. The results of this study support this view, indicating that fiscal policy plays a conditional role in growth.

The importance of domestic conditions is further reinforced by institutional theories of economic development. Acemoglu and Robinson (2012) argue that differences in economic performance across countries are primarily driven by institutional quality. Similarly, Rodrik, Subramanian and Trebbi (2004) emphasise that institutions are more important than trade or geography in explaining growth differences. The findings of this study align with these arguments, highlighting the central role of domestic economic conditions.

Recent empirical studies also support the importance of domestic factors in emerging markets. Law, Tan and Azman-Saini (2014) demonstrate that financial development plays a critical role in shaping economic outcomes, while fiscal policy studies emphasise the importance of stability and efficiency in driving growth (International Review of Economics and Finance, 2024). These insights further strengthen the conclusion that domestic economic conditions are the primary determinants of growth.

The interaction between domestic variables also plays a crucial role. Inflation, unemployment, and government expenditure are interconnected components of the macroeconomic system, influencing each other and collectively shaping economic performance. This interconnectedness highlights the need for coordinated policy approaches.

The findings confirm that domestic economic conditions are the most significant drivers of economic growth in emerging markets. This reinforces the argument that internal stability, policy effectiveness, and institutional strength are essential for achieving sustainable economic performance.

Research Question 3: Which approach, globalisation or domestic conditions, better explains variations in economic growth in emerging markets?

The comparative analysis conducted in this study provides clear evidence that domestic economic conditions offer a stronger and more direct explanation for variations in economic growth compared to globalisation variables. While globalisation provides the structural framework within which economic activity occurs, domestic variables determine the extent to which economies are able to achieve growth.

The findings indicate that trade openness, despite being stable across economies, does not exhibit a direct relationship with economic growth. Similarly, the volatility of FDI suggests that external capital flows are not reliable predictors of sustained growth. In contrast, domestic variables such as inflation, unemployment, and fiscal policy demonstrate significant explanatory power, directly influencing economic performance.

This conclusion is consistent with the arguments presented by Rodrik (2011), who emphasises that domestic institutions and policies are more important than global integration in determining growth outcomes. Acemoglu and Robinson (2012) further support this perspective by highlighting the role of institutions in shaping economic performance. The findings of this study confirm that internal economic conditions provide the primary explanatory framework for growth variations.

At the same time, globalisation cannot be completely disregarded. Frankel and Romer (1999) demonstrate that trade can contribute to growth, but subsequent research emphasises that this relationship is conditional. Chang, Kaltani and Loayza (2009) argue that trade openness

enhances growth only when supported by complementary domestic policies. The findings of this study strongly support this conditional relationship.

The interaction between globalisation and domestic conditions provides the most comprehensive explanation for economic growth. Globalisation creates opportunities, but domestic conditions determine how effectively these opportunities are utilised. This interaction is consistent with endogenous growth theory, which emphasises the role of internal factors in driving long-term economic performance (Romer, 1990).

The impact of global economic shocks further reinforces this conclusion. The disruption observed around 2020 affected all economies, but recovery patterns varied based on domestic resilience. Baldwin and Evenett (2020) highlight that global supply chains are vulnerable to shocks, but their long-term stability depends on domestic policy responses. The findings of this study support this perspective, indicating that domestic strength is critical for managing external risks.

In conclusion, while globalisation provides an important structural context, domestic economic conditions better explain variations in economic growth in emerging markets. The interaction between these factors offers the most accurate and comprehensive understanding of growth dynamics.

5.6 Contribution of the Study

This study contributes to the theoretical understanding of economic growth in emerging market economies by developing an integrated perspective that connects globalisation with domestic economic conditions in a structured and empirically grounded manner. Existing literature has often treated these dimensions separately, with one stream focusing on the benefits of global integration and another emphasising the role of internal economic and institutional factors. The findings of this research demonstrate that such separation is insufficient to explain growth dynamics, and that a combined framework offers a more accurate and meaningful explanation.

A key contribution of this study lies in its empirical reinforcement of the argument that globalisation should not be interpreted as a direct or automatic driver of economic growth. Classical trade theory, as introduced by Ricardo (1817), and later developments in international economics (Krugman, Obstfeld and Melitz, 2018) emphasise efficiency gains arising from

trade openness. However, the results of this study show that trade openness, although structurally stable, does not exhibit a consistent or direct relationship with economic growth across emerging markets. This finding aligns with the argument advanced by Rodrik (2011), who highlights the conditional nature of globalisation outcomes, and with Stiglitz (2002), who points to the uneven distribution of its benefits. The study therefore contributes by empirically supporting a more nuanced interpretation of globalisation as an enabling condition rather than a deterministic force.

Another important theoretical contribution emerges from the clear identification of domestic economic conditions as the primary functional drivers of growth. The regression analysis confirms that variables such as inflation, unemployment, GDP per capita, and government expenditure exert direct influence on economic performance. This finding strengthens the institutional and policy-based perspective of growth, as articulated by Acemoglu and Robinson (2012), who emphasise the role of inclusive institutions, and by Rodrik, Subramanian and Trebbi (2004), who argue that institutional quality dominates other factors such as trade and geography in explaining economic outcomes. The study extends this perspective by integrating these theoretical insights with empirical evidence specific to emerging market economies.

The distinction introduced between the structural and functional roles of variables represents another significant contribution. Globalisation variables, particularly trade openness, operate as structural components that define the external economic environment. In contrast, domestic variables function as active determinants that shape how effectively economic opportunities are utilised. This conceptual separation provides clarity in understanding why similar levels of global integration can lead to different growth outcomes across countries. The findings support the view that structural integration alone cannot drive growth without corresponding domestic capacity.

A further contribution lies in differentiating between components of globalisation itself. The study shows that trade openness and foreign direct investment behave differently, with trade exhibiting stability and FDI displaying volatility. This distinction adds depth to the theoretical understanding of globalisation, which is often treated as a single aggregate concept. The observed behaviour of FDI supports the findings of Borensztein, De Gregorio and Lee (1998), who highlight its conditional impact, and Alfaro et al. (2004), who emphasise the role of financial markets in mediating its effects. The study therefore contributes by demonstrating

that different elements of globalisation must be analysed separately to understand their implications for growth.

The integrated interpretation of globalisation and domestic conditions provides a central theoretical advancement of this research. The findings indicate that economic growth in emerging markets is best explained through the interaction between external integration and internal economic structures. Globalisation creates opportunities in the form of market access, capital flows, and technological diffusion, while domestic conditions determine the extent to which these opportunities are realised. This interaction aligns with the argument presented by Chang, Kaltani and Loayza (2009), who emphasise the importance of policy complementarities, and with the principles of endogenous growth theory proposed by Romer (1990), which highlight the role of internal factors in sustaining long-term growth.

The study also contributes to contemporary debates on the evolution of globalisation. Evidence from the analysis suggests that globalisation is not declining but transforming in response to changing economic conditions. Trade openness remains relatively stable, indicating continued integration, while the volatility of FDI reflects uncertainty and adjustment within the global system. This interpretation supports the perspective of Baldwin (2016), who describes the changing nature of globalisation through global value chains, and complements the observations of Evenett (2019) regarding rising protectionist tendencies. The study therefore adds empirical support to the argument that globalisation is undergoing structural transformation rather than reversal.

Another theoretical contribution is the emphasis on resilience as a function of domestic strength. The findings related to the 2020 global disruption show that economies with stable macroeconomic conditions were better able to absorb shocks and recover. This insight extends the theoretical understanding of growth by incorporating the concept of resilience, which has gained importance in recent economic literature. Baldwin and Evenett (2020) highlight the vulnerability of global supply chains, while Aizenman et al. (2024) emphasise the role of macroeconomic stability in emerging market resilience. The study integrates these perspectives by demonstrating that resilience is closely linked to domestic economic conditions.

The contribution of this research is also relevant in the context of emerging market economies, where growth dynamics differ from those observed in advanced economies. The findings

support the argument of Nayyar (2013), who emphasises the distinct development trajectories of emerging markets, and align with Gereffi (2018), who highlights the importance of upgrading within global value chains. The study adds to this literature by showing that domestic conditions remain the dominant factor in determining growth outcomes, even in a highly globalised environment.

Methodologically, the study contributes by combining descriptive analysis, regression modelling, and comparative interpretation within a single framework. This approach allows for a more comprehensive understanding of economic growth than reliance on a single method. The integration of quantitative and interpretive analysis enhances the robustness of the findings and provides a model for future research in this area.

In summary, the theoretical contribution of this study lies in its development of an integrated framework that distinguishes between structural and functional determinants of economic growth and demonstrates the importance of their interaction. The findings move beyond traditional linear interpretations of globalisation and provide a nuanced understanding of growth dynamics in emerging markets. This contribution enhances existing theoretical perspectives and offers a more comprehensive explanation of how globalisation and domestic conditions jointly shape economic performance.

5.7 Chapter Summary

This chapter critically interpreted the empirical findings of the study by linking them with established theoretical perspectives and contemporary research on globalisation and economic growth. The discussion demonstrated that globalisation, particularly through trade openness and foreign direct investment, provides a structural framework for economic activity but does not independently determine growth outcomes. In contrast, domestic economic conditions such as inflation, unemployment, income levels, and fiscal policy were found to have a direct and significant influence on economic performance.

The analysis further established that the relationship between globalisation and growth is conditional, with domestic institutional capacity and macroeconomic stability determining how effectively external opportunities are utilised. The research questions were systematically addressed, confirming that domestic factors offer stronger explanatory power compared to globalisation variables, while their interaction provides the most comprehensive understanding

of growth dynamics. The chapter also highlighted the theoretical contribution of the study by presenting an integrated framework that distinguishes between structural and functional determinants of growth. These insights provide a strong foundation for the final conclusions, policy recommendations, and future research directions presented in the subsequent chapter.

CHAPTER 6: CONCLUSION, RECOMMENDATIONS, AND FUTURE DIRECTIONS

6.1 Concluding Remarks

This study set out to examine the relationship between globalisation, domestic economic conditions, and economic growth in emerging market economies, with the objective of identifying which factors most effectively explain variations in growth outcomes. The analysis combined descriptive evaluation, regression modelling, and comparative interpretation to provide a comprehensive understanding of growth dynamics across the selected economies.

The findings of the study indicate that globalisation, while an essential feature of modern economic systems, does not independently determine economic growth. Trade openness was found to be structurally stable across the sample, reflecting consistent integration into global markets. However, this stability did not translate into a direct or proportional impact on economic growth. Similarly, foreign direct investment exhibited significant variability, indicating its sensitivity to global economic conditions and its limited reliability as a consistent driver of growth.

In contrast, domestic economic conditions emerged as the primary determinants of economic performance. The regression analysis demonstrated that variables such as inflation, unemployment, GDP per capita, and government expenditure have a direct and statistically significant relationship with economic growth. These findings confirm that macroeconomic stability, efficient labour utilisation, and effective fiscal management are critical for sustaining economic performance in emerging markets.

The comparative analysis further revealed that globalisation and domestic conditions are not independent forces but operate in an interconnected manner. Globalisation provides access to markets, capital, and technology, while domestic economic structures determine the extent to which these opportunities are utilised. Economies with stronger domestic conditions were found to achieve more stable and sustained growth, even when exposed to external shocks. This was particularly evident during the global disruption around 2020, where recovery patterns differed based on domestic resilience.

The study also highlights that the impact of globalisation is conditional rather than universal. The benefits of trade and investment flows depend on domestic institutional capacity, policy frameworks, and economic stability. This finding reinforces the argument that global integration must be supported by strong internal systems to produce positive growth outcomes.

6.2 Implications of the Study

The findings of this study have important implications at theoretical, policy, and practical levels, particularly in the context of emerging market economies operating within an increasingly complex global economic environment. The results not only reinforce existing theoretical perspectives but also provide actionable insights for policymakers and economic stakeholders.

From a theoretical standpoint, the study contributes to the ongoing debate on the role of globalisation in economic growth by reinforcing the argument that globalisation is not a sufficient condition for growth. Traditional economic theories have often positioned trade openness and capital flows as primary drivers of economic expansion. However, the findings of this study suggest that such an interpretation is incomplete. The absence of a direct and consistent relationship between globalisation variables and economic growth supports the conditional view of globalisation, as emphasised by Rodrik (2011) and Stiglitz (2002). The results highlight that the effectiveness of global integration is contingent upon domestic economic structures, thereby strengthening institutional and endogenous growth perspectives. This has implications for future research, which must increasingly focus on interaction-based models rather than isolated variables.

At the policy level, the study provides clear evidence that domestic economic management plays a decisive role in determining growth outcomes. The strong influence of inflation, unemployment, and fiscal variables indicates that macroeconomic stability is a critical prerequisite for sustainable economic growth. Policymakers in emerging markets must therefore prioritise internal economic reforms alongside global integration strategies. The findings suggest that maintaining low and stable inflation, improving labour market efficiency, and ensuring the effective allocation of government expenditure are essential for achieving long-term growth. Fiscal policy, in particular, should focus on productive investments in infrastructure, education, and innovation rather than expansionary spending without clear developmental outcomes.

The study also has significant implications for trade and investment policy. While globalisation remains important, the results indicate that simply increasing trade openness or attracting foreign direct investment is not sufficient to ensure economic growth. Policymakers must focus on enhancing domestic absorptive capacity, including human capital development, institutional quality, and financial system strength. This aligns with the argument presented by Borensztein, De Gregorio and Lee (1998) and Alfaro et al. (2004), who emphasise the conditional impact of FDI. Trade policies should therefore be complemented by domestic reforms that enable economies to effectively utilise external opportunities.

Another important implication relates to economic resilience in the face of global shocks. The findings of the study show that economies with stronger domestic conditions were better able to recover from the global disruption observed around 2020. This highlights the importance of building resilient economic systems capable of withstanding external volatility. Policymakers should therefore focus on strengthening institutional frameworks, diversifying economic structures, and maintaining macroeconomic stability to reduce vulnerability to external shocks. This is particularly relevant in the current global context, where uncertainties related to geopolitical tensions, supply chain disruptions, and financial instability continue to influence economic outcomes.

The study also provides practical implications for emerging market economies seeking to improve their position within the global economic system. The results suggest that participation in global markets should be viewed as a strategic process rather than an automatic pathway to growth. Countries must focus on upgrading their role within global value chains by moving toward higher value-added activities. This requires investment in skills, technology, and innovation, as highlighted by Baldwin (2016) and Gereffi (2018). Without such efforts, economies may remain locked in low-value segments of global production, limiting the benefits of globalisation.

In addition, the findings highlight the importance of coordinated policy frameworks. Domestic variables such as inflation, unemployment, and fiscal policy are interconnected, and their combined effect determines economic performance. Policymakers must therefore adopt a holistic approach that integrates monetary, fiscal, and structural policies. Fragmented or

inconsistent policy measures may reduce the effectiveness of economic strategies and limit growth potential.

The implications of this study also extend to international economic governance. The findings suggest that global institutions and trade frameworks should recognise the importance of domestic capacity in shaping growth outcomes. Policies aimed at promoting global integration should be designed in a way that supports domestic development rather than imposing uniform approaches across diverse economies. This perspective aligns with contemporary debates on inclusive globalisation and the need for balanced development strategies.

The study underscores that sustainable economic growth in emerging markets requires a balanced approach that combines global integration with strong domestic economic management. The implications highlight the need for a shift in focus from external dependence to internal capacity building, ensuring that globalisation serves as a tool for development rather than an end in itself.

6.3 Recommendations

The findings of this study provide a strong basis for developing targeted recommendations aimed at improving economic growth outcomes in emerging market economies. These recommendations focus on strengthening domestic economic conditions while strategically leveraging globalisation to maximise its benefits.

A primary recommendation emerging from the study is the need for **macroeconomic stability as a foundational priority**. The negative relationship between inflation and economic growth highlights the importance of maintaining price stability. Policymakers should adopt disciplined monetary policies that control inflation without restricting productive investment. Central banks must focus on credible inflation-targeting frameworks, while governments should avoid excessive fiscal deficits that contribute to macroeconomic imbalances. Stable inflation not only improves investment confidence but also enhances long-term economic planning.

Another critical recommendation relates to **labour market efficiency and employment generation**. The strong negative impact of unemployment on growth indicates that job creation must be a central policy objective. Governments should promote labour-intensive industries, support entrepreneurship, and invest in skill development programs that align workforce

capabilities with market demands. Education systems should be redesigned to focus on employability and industry relevance. Improving labour market flexibility while ensuring social protection can also enhance productivity and economic participation.

The study also highlights the importance of **effective fiscal policy and quality of government expenditure**. Rather than increasing public spending indiscriminately, governments should prioritise investments that have long-term growth potential. Expenditure on infrastructure, education, healthcare, and technology should be emphasised, as these areas directly contribute to productivity and economic development. At the same time, reducing inefficiencies and leakages in public spending is essential to maximise the impact of fiscal policy.

A key recommendation concerns the **strategic management of globalisation**. While trade openness is necessary, it should not be pursued in isolation. Policymakers must ensure that domestic industries are capable of competing in global markets. This requires investment in technology, innovation, and industrial capacity. Trade policies should focus on enhancing export competitiveness and diversifying trade partners to reduce dependency on specific markets.

In relation to foreign direct investment, the study suggests that **quality matters more than quantity**. Attracting FDI should not be limited to increasing capital inflows but should focus on investments that bring technological advancement, skill development, and value addition. Governments should create favourable investment climates through regulatory stability, ease of doing business, and transparent policies. At the same time, strengthening domestic financial systems is essential to ensure that the benefits of FDI are effectively absorbed within the economy.

Another important recommendation is the need to **strengthen institutional frameworks and governance structures**. The study demonstrates that domestic conditions are the primary drivers of growth, and institutional quality plays a central role in shaping these conditions. Governments should focus on improving transparency, reducing corruption, and enhancing policy consistency. Strong institutions not only improve economic efficiency but also increase investor confidence and economic stability.

The findings also emphasise the importance of **economic resilience in the face of global shocks**. The disruption observed around 2020 highlights the vulnerability of emerging economies to external disturbances. Policymakers should therefore focus on building resilient economic systems by diversifying economic activities, strengthening domestic industries, and maintaining adequate fiscal and monetary buffers. Developing robust supply chains and reducing overdependence on external inputs can also enhance resilience.

In the context of global value chains, emerging market economies should focus on **upgrading their position within the global production system**. Rather than remaining in low-value segments, countries should invest in capabilities that enable movement toward higher value-added activities. This requires long-term investment in human capital, research and development, and technological innovation. Collaboration between government, industry, and academia can play a crucial role in achieving this transition.

The study also suggests the importance of **policy coordination and integration**. Domestic economic variables such as inflation, unemployment, and fiscal policy are interconnected, and isolated policy measures may not be effective. Governments should adopt a holistic approach that integrates monetary, fiscal, and structural policies to achieve balanced and sustainable growth.

Emerging market economies should adopt a **balanced development strategy** that combines global integration with domestic capacity building. Over-reliance on globalisation without strengthening internal economic conditions can lead to vulnerability, while excessive focus on domestic factors without global engagement can limit growth opportunities. A balanced approach ensures that economies are both competitive and resilient in the global environment.

6.4 Limitations of the Study

Despite providing valuable insights into the relationship between globalisation, domestic economic conditions, and economic growth in emerging market economies, this study is subject to certain limitations that must be acknowledged to ensure a balanced interpretation of the findings.

One of the primary limitations relates to the **scope of variables included in the analysis**. The study focuses on selected macroeconomic indicators such as trade openness, inflation,

unemployment, GDP per capita, government expenditure, and population growth. While these variables capture key dimensions of economic performance, they do not fully represent the complexity of growth dynamics. Important factors such as institutional quality, governance effectiveness, technological advancement, and human capital development were not directly included in the regression model. Although these aspects were discussed theoretically, their exclusion from the empirical framework limits the ability to capture their direct quantitative impact.

Another limitation arises from the **use of aggregate national-level data**. The analysis is conducted at the macroeconomic level, which may mask variations within countries. Regional disparities, sectoral differences, and informal economic activities are not captured in the dataset. As a result, the findings may not fully reflect the internal heterogeneity of emerging market economies. This limitation is particularly relevant in large and diverse economies where economic conditions vary significantly across regions.

The study is also limited by the **time period of analysis**, which includes a significant global disruption around 2020. While this provides valuable insight into economic resilience, it also introduces volatility into the dataset. The presence of an external shock may influence the behaviour of variables such as trade and foreign direct investment, potentially affecting the stability of relationships observed in the analysis. Although the study accounts for this through interpretation, the results may be influenced by short-term fluctuations associated with this period.

A further limitation concerns the **measurement and comparability of variables**. Some variables, such as GDP per capita, are expressed in absolute terms, while others are measured as percentages. This creates differences in scale, particularly in graphical representations, and may affect direct comparability. While the analysis accounts for this through interpretation, it remains a methodological constraint that must be acknowledged.

The study also adopts a **single-model regression framework**, which focuses on the relationship between domestic economic variables and economic growth. Global variables were analysed separately through descriptive and comparative methods rather than being integrated into the regression model. While this approach aligns with the research design, it

limits the ability to quantify the direct interaction between globalisation and domestic conditions within a unified econometric framework.

Another limitation is related to the **selection of countries included in the study**. The analysis focuses on a specific group of emerging market economies, and the findings may not be generalisable to all developing or advanced economies. Differences in institutional structures, policy frameworks, and economic conditions across countries may lead to variations in growth dynamics that are not captured within the sample.

The study relies on **secondary data sources**, which may be subject to issues such as measurement errors, data revisions, and reporting inconsistencies. While efforts were made to ensure data reliability and consistency, these inherent limitations of secondary data cannot be completely eliminated.

6.5 Future Research Directions

The findings and limitations of this study provide several avenues for future research that can further enhance the understanding of economic growth dynamics in emerging market economies. While the present study offers an integrated perspective on the relationship between globalisation and domestic economic conditions, there remains significant scope for extending the analysis both conceptually and empirically.

One important direction for future research is the **inclusion of institutional variables within the empirical framework**. Although institutional quality, governance effectiveness, and policy stability were discussed theoretically in this study, they were not directly incorporated into the regression model. Future studies can extend this research by including variables such as corruption indices, regulatory quality, and political stability to quantitatively assess their impact on economic growth. This would provide a more comprehensive understanding of how institutional frameworks interact with globalisation and domestic economic conditions.

Another potential area for further investigation is the **integration of globalisation variables into a unified econometric model**. In this study, globalisation was analysed primarily through descriptive and comparative approaches, while domestic variables were examined using regression analysis. Future research can develop models that simultaneously include trade openness, foreign direct investment, and domestic variables to assess their combined and

interaction effects on economic growth. Reeshan and Ali and Shah (2017) wants to find dimensions of globalisation and their effects on economic growth. This would allow for a more precise estimation of the relative contributions of each factor.

The use of **advanced econometric techniques** also presents an opportunity for future research. Methods such as panel data regression models, dynamic models, and causality testing can provide deeper insights into the relationships between variables. These approaches can help address issues such as endogeneity and provide a more robust understanding of causal linkages, particularly in the context of emerging market economies.

Future studies may also focus on **sectoral and regional analysis within countries**. The current study uses aggregate national-level data, which does not capture variations across sectors or regions. Research that examines specific industries, such as manufacturing, services, or technology sectors, can provide more detailed insights into how globalisation and domestic conditions affect growth at a microeconomic level. Similarly, regional studies can highlight disparities within countries and identify targeted policy interventions.

Another important direction is the **examination of human capital and technological development** as key drivers of growth. While this study acknowledges their importance, future research can explicitly incorporate variables related to education, skill development, innovation, and digital transformation. This is particularly relevant in the context of global value chains, where the ability to move toward higher value-added activities depends on technological capabilities.

The evolving nature of globalisation also presents opportunities for further research. Future studies can explore the impact of **digital globalisation, e-commerce, and technological integration** on economic growth. As global economic interactions increasingly shift toward digital platforms, traditional measures of globalisation may not fully capture these changes. Expanding the scope of analysis to include digital indicators can provide a more contemporary understanding of global integration.

Another area of interest is the **study of economic resilience and crisis response mechanisms**. The global disruption observed around 2020 highlights the importance of resilience in economic systems. Future research can examine how different policy responses, institutional

frameworks, and economic structures influence the ability of countries to withstand and recover from external shocks. This would contribute to the growing literature on economic resilience in emerging markets.

Comparative studies across different groups of economies also offer valuable research opportunities. While this study focuses on emerging market economies, future research can extend the analysis to include developed and least developed countries. Such comparisons can provide deeper insights into how the relationship between globalisation and domestic conditions varies across different levels of economic development.

Future research can adopt **interdisciplinary approaches** by integrating insights from political economy, sociology, and development studies. Economic growth is influenced by a wide range of factors beyond traditional economic variables, including social structures, political systems, and cultural dynamics. Incorporating these perspectives can lead to a more holistic understanding of development processes.

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