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IMPACT OF TRADE OPENNESS ON ECONOMIC GROWTH IN EMERGING MARKETS: REGIONAL AND DEVELOPMENTAL COMPARISON

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Abstract. *This study examines how trade openness impacts economic development in 20 emerging markets from 2000 to 2020. It compares countries based on trade policies, levels of openness, and economic growth outcomes. The research highlights regional differences, with Asian economies showing better results than many in Africa and Latin America. The findings suggest that trade openness can drive development when supported by strong institutions and policies tailored to each country's needs.*

***Keywords**: trade openness, economic development, emerging markets, trade policies, foreign direct investment, global economy, economic growth.*

RIVOJLANAYOTGAN BOZORLARDA SAVDO OCHIQLIGINING IQTISODIY O‘SISHGA TA’SIRI: MINTAQAVIY VA RIVOJLANISHNI TAQQOSLASH

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Annotatsiya. *Ushbu tadqiqot 2000-yildan 2020-yilgacha 20 ta rivojlanayotgan bozorda savdo ochiqligi iqtisodiy rivojlanishga qanday ta’sir qilishini o‘rganadi. U mamlakatlarni savdo siyosati, ochiqlik darajasi va iqtisodiy o‘sish natijalari asosida taqqoslaydi. Tadqiqot mintaqaviy farqlarni ko‘rsatib o‘tadi va bunda Osiyo iqtisodiyoti Afrika va Lotin Amerikasidagi bozorlarga qaraganda yaxshiroq natijalarni ko‘rsatganligini keltirib o‘tadi. Natijalar shuni ko‘rsatadiki, savdo ochiqligi har bir mamlakat ehtiyojlariga moslashtirilgan kuchli institutlar va siyosatlar tomonidan qo‘llab-quvvatlansa, rivojlanishga samarali turtki berishi mumkin.*

Kalit so‘zlar: *savdo ochiqligi, iqtisodiy rivojlanish, rivojlanayotgan bozorlar, savdo siyosati, to‘g‘ridan-to‘g‘ri xorijiy investitsiyalar, global iqtisodiyot, iqtisodiy o‘sish.*

ВЛИЯНИЕ ОТКРЫТОСТИ ТОРГОВЛИ НА ЭКОНОМИЧЕСКИЙ РОСТ В СТРАНАХ С ФОРМИРУЮЩИМСЯ РЫНКОМ: СРАВНЕНИЕ РЕГИОНОВ И РАЗВИТИЯ

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Аннотация. *В этом исследовании рассматривается, как открытость торговли влияет на экономическое развитие в 20 развивающихся рынках с 2000 по 2020 год. В нем страны сравниваются на основе торговой политики, уровня открытости и результатов экономического роста. Исследование подчеркивает региональные различия, при этом азиатские экономики показывают лучшие результаты, чем многие в Африке и Латинской Америке. Результаты показывают, что открытость торговли может стимулировать развитие, если поддерживается сильными институтами и политикой, адаптированной к потребностям каждой страны.*

Ключевые слова: *открытость торговли, экономическое развитие, развивающиеся рынки, торговая политика, прямые иностранные инвестиции, мировая экономика, экономический рост.*

Introduction.

Trade openness has become a cornerstone of economic policy in many emerging markets, reflecting the growing interconnectedness of global economies. By reducing trade barriers and integrating into international markets, countries aim to accelerate economic growth, attract foreign investment, and foster industrial development. However, the outcomes of trade openness are not uniform and depend on various factors, such as a country's economic structure, institutional quality, and policy framework. By comparing key indicators like trade openness, GDP growth rates, and trade balance, the study seeks to identify patterns, challenges, and best practices. The findings aim to provide insights into how trade policies can be optimized to support sustainable and inclusive growth, especially in the context of regional disparities and global economic shifts.

Literature review.

The relationship between trade openness and economic development in emerging markets has been a subject of growing interest in recent years. As countries increasingly open their markets to global trade, understanding the factors that influence the outcomes of such openness becomes crucial.

Trade openness is often considered a key driver of economic growth in emerging markets. Recent studies emphasize the positive impact of trade on GDP growth, as it provides access to larger markets, fosters competition, and encourages the transfer of technology. For instance, Madsen (2021) finds that trade openness accelerates growth in low and middle-income countries by enhancing productivity and facilitating the diffusion of innovations. Similarly, Békés and Muraközy (2020) show that trade liberalization has a strong positive impact on economic growth by stimulating the export sector and enhancing domestic industries.

However, the relationship between trade openness and growth is complex. According to Sahoo (2021), while trade liberalization promotes growth, its impact is conditional on the quality of institutions and governance structures. Countries with strong institutions are better able to manage the challenges of liberalization, such as rising inequality or sectoral imbalances. This view aligns with findings by Pradhan (2022), who highlights that trade openness leads to stronger economic performance only when accompanied by appropriate policy frameworks that mitigate negative side effects, such as income inequality.

A growing body of literature argues that institutional quality plays a critical role in determining the effectiveness of trade openness. Baldwin (2020) suggests that countries with transparent and efficient institutions experience greater benefits from trade because they are better positioned to exploit the opportunities that arise from global integration. Conversely, countries with weak institutions may struggle to implement policies that support trade-related growth. The study by Zhang and Li (2021) further reinforces this idea, showing that countries with high levels of corruption or political instability may not fully realize the benefits of trade liberalization.

In the context of emerging markets, the importance of institutional reforms is underscored by the work of Sharma and Kumar (2022). They argue that institutional reforms—such as improving legal systems, reducing corruption, and enhancing transparency—are essential for emerging markets to benefit from trade openness. Without these reforms, countries risk facing inequality, unemployment, and social unrest as a result of the disruptions caused by trade liberalization.

Another critical aspect of trade openness is the ability of countries to diversify their exports. Export diversification is often linked to higher resilience to global economic fluctuations, such as commodity price shocks. Recent studies emphasize the importance of export diversification in achieving sustainable growth. For example, Hausmann et al. (2020) show that countries with more diversified exports experience better growth and less vulnerability to external shocks. Similarly, the work of McMillan and Rodrik (2021) finds that countries that diversify their exports, especially into high-value-added sectors, experience more robust economic growth.

However, not all emerging markets successfully diversify their economies. According to O'Rourke and Williamson (2021), many resource-dependent countries fail to diversify exports and remain vulnerable to the volatility of global commodity markets. This lack of diversification can limit the long-term benefits of trade openness. As such, fostering export diversification through policy interventions that support innovation, infrastructure development, and human capital is essential for maximizing the benefits of trade.

FDI is a significant channel through which trade openness influences economic development. Studies have shown that countries that are more integrated into global supply chains and attract FDI tend to experience faster growth. According to Rodriguez and Barroso (2022), FDI inflows play a critical role in enhancing productivity and technology transfer, which can accelerate industrialization and economic development. However, FDI benefits are unevenly distributed. Countries with better infrastructure and political stability are more likely to attract FDI and experience the positive spillover effects, such as job creation and skill development.

Regional differences in the outcomes of trade openness have also been widely discussed in recent literature. Asian emerging markets, such as China, India, and Vietnam, have benefited greatly from trade liberalization, achieving rapid industrialization and poverty reduction. For instance, Nguyen and Van (2021) show that Vietnam's trade openness, particularly its involvement in global supply chains, has been crucial to its economic transformation. In contrast, many African and Latin American countries have faced challenges in realizing the full benefits of trade liberalization due to weak infrastructure, political instability, and dependency on natural resources.

As observed by Ghosh and Singh (2022), African countries, despite embracing trade openness, often struggle with issues such as low levels of export diversification and inadequate infrastructure, which undermine the effectiveness of trade liberalization. Similarly, Latin American countries like Brazil have experienced limited success with trade openness due to structural constraints, such as high inequality and slow industrialization (Diniz, 2021).

Research methodology.

This study employs a mixed-methods approach to analyze the relationship between trade openness and economic development across 20 emerging markets from 2000 to 2020. Quantitative data is collected from reliable sources such as the World Bank, IMF, and WTO, focusing on indicators like trade openness, GDP growth, foreign direct investment and trade balance. Qualitative analysis complements the quantitative findings by reviewing trade policies, regional contexts, and structural factors. Countries are categorized based on levels of trade openness, economic diversification, and regional affiliation to identify patterns and disparities. This combination of statistical and contextual analysis ensures a comprehensive understanding of how trade openness influences economic development in diverse settings.

Analysis and discussion of results.

The analysis of the relationship between trade openness and economic development across 20 emerging markets reveals important patterns that illustrate how trade liberalization impacts economic growth, industrialization, poverty reduction, and income inequality. The findings are based on quantitative and qualitative analysis using data from 2000 to 2020.

The analysis shows that, on average, trade openness positively correlates with economic growth in emerging markets. Countries with higher trade-to-GDP ratios, such as Vietnam, Turkey, and South Africa, tend to experience more robust economic growth, with average annual GDP growth rates of 4-7%.

For instance, Vietnam's trade openness, particularly its integration into the global supply chain through agreements like the CPTPP, has contributed significantly to its GDP growth and industrialization (Nguyen and Van, 2021). Similarly, Turkey's trade liberalization and focus on export-driven growth in the manufacturing sector have boosted its industrial output and overall economic performance. However, the degree to which trade openness stimulates growth is not uniform. The analysis finds that some countries, like Brazil and Nigeria, despite opening their markets, experience slower growth rates. For example, Brazil's dependency on primary commodities such as soybeans and oil has left its economy vulnerable to fluctuations in global prices, limiting the growth benefits of trade openness. This is consistent with the findings of O'Rourke and Williamson (2021), who emphasize the challenges faced by resource-dependent economies.

Institutional quality plays a critical role in determining the effectiveness of trade openness. Countries with strong institutions, such as South Korea, Chile, and Singapore, have successfully leveraged trade to drive growth. The study finds that these countries' institutional frameworks—characterized by stable governance, rule of law, and transparency—have enabled them to implement effective trade policies and manage the social and economic challenges arising from liberalization. For example, South Korea's high level of industrialization and economic growth can be attributed to its strong institutions that support export diversification and technology transfer. Conversely, countries with weaker institutions, such as Nigeria and Venezuela, face significant challenges in capitalizing on trade liberalization. In these nations, the lack of transparency, high levels of corruption, and political instability have hindered the benefits that might otherwise come from trade openness. For instance, in Nigeria, despite efforts to open markets, inefficiencies in governance and the oil-dependent structure of the economy have limited the full impact of trade. As noted by Baldwin (2020), effective institutions are essential to harness the potential of trade liberalization.

A key finding is that countries that diversify their exports beyond primary commodities experience more sustainable growth through trade openness. Export diversification helps countries reduce dependency on volatile global commodity prices, making their economies more resilient to external shocks. Countries like South Korea, India, and Malaysia, which have diversified into higher-value-added sectors such as electronics, automotive, and services, show a clear correlation between diversification and economic growth. For instance, India's trade liberalization in the 1990s was accompanied by significant efforts to diversify its economy. The country's rapid growth in services, particularly in IT and business process outsourcing, helped buffer the economy from global fluctuations in manufacturing and agriculture. In contrast, economies like Angola and Venezuela, which rely heavily on oil exports, remain vulnerable to external price fluctuations, which has limited their ability to fully capitalize on trade openness (Hausmann et al., 2020).

The relationship between trade openness and income inequality is complex. In some countries, trade liberalization has led to significant poverty reduction, particularly in East and Southeast Asia, where millions have been lifted out of poverty as a result of increased export opportunities and industrial growth. However, in countries with weak institutions or high levels of inequality, the benefits of trade openness have been unevenly distributed, leading to increased income inequality. For example, in Brazil, despite trade liberalization, income inequality has persisted due to unequal access to the benefits of global trade, with low-income groups facing higher unemployment and wage stagnation (Sharma and Kumar, 2022).

A few countries, including Ethiopia (6.06%), Vietnam (2.87%), and Kazakhstan (2%), showed positive economic growth despite global disruptions, reflecting resilience driven by robust domestic policies and trade strategies. Many nations experienced economic contraction, notably Argentina (-9.9%), Peru (-10.93%), and Philippines (-9.52%), due to a combination of factors such as the COVID-19 pandemic, political instability, and external market conditions. Vietnam leads with a striking 163.25% trade openness, followed by Mexico (76.87%) and

Kazakhstan (57.03%). These economies are heavily integrated into global trade networks, relying on exports and imports for economic growth. Countries like Brazil (32.3%), India (37.76%), and Egypt (32.13%) exhibit moderate trade openness, balancing both domestic production and international trade. USA (23.1%) and Bangladesh (26.27%) have relatively low trade openness, indicating a more domestically focused economic structure compared to their emerging market counterparts.

Table 1

Comparative Economic Indicators of Emerging Markets (2020)

(Norkobilov, 2024)

Countries	Economic growth: the rate of change of real GDP	Trade openness: exports plus imports as percent of GDP	Foreign Direct Investment, percent of GDP	Trade balance as percent of GDP
Argentina	-9.9	30.2	1.27	3.01
Bangladesh	3.45	26.27	0.41	-5.39
Brazil	-3.28	32.3	2.59	0.61
Colombia	-7.19	34.06	2.76	-7.01
Egypt	3.55	32.13	1.52	-7.18
Ethiopia	6.06	24.01	2.23	-9.75
Ghana	0.51	66.58	2.68	-3.52
India	-5.78	37.76	2.41	-0.39
Indonesia	-2.07	32.97	1.81	1.69
Kazakhstan	-2.5	57.03	4.21	4.03
Kenya	-0.27	27.24	0.42	-7.96
Mexico	-8.62	76.87	2.81	1.62
USA	-2.21	23.1	0.64	-2.94
Pakistan	-1.27	26.72	0.68	-8.12
Peru	-10.93	44.25	0.33	1.78
Philippines	-9.52	58.17	1.89	-7.76
Russia	-2.65	45.97	0.63	5.08
South Africa	-5.96	50.69	0.93	4.37
Turkey	1.86	61.34	1.07	-3.1
Vietnam	2.87	163.25	4.56	5.52
Uzbekistan	2	61.84	2.87	-13.48

Vietnam (4.56%) and Kazakhstan (4.21%) have successfully attracted significant FDI, benefiting from investor-friendly policies and growing industries. Mexico (2.81%) also shows strong FDI inflows, reflecting its strategic position within North America and trade agreements like the USMCA. Countries like Bangladesh (0.41%), Pakistan (0.68%), and Peru (0.33%) have lower FDI percentages, which may be attributed to challenges such as political instability, less favorable business climates, or infrastructure gaps. Vietnam (5.52%) and Russia (5.08%) enjoy trade surpluses, largely driven by their export-focused industries. Vietnam's electronics and manufacturing exports, and Russia's energy exports, have bolstered their economic standing. Countries such as Uzbekistan (-13.48%), Pakistan (-8.12%), and Argentina (-9.9%) face significant trade deficits, relying heavily on imports relative to exports. These deficits are often a result of high dependency on foreign goods and services. Countries with high trade openness, like Vietnam and Mexico, are more integrated into the global economy, which supports growth through exports and foreign investment. Their success highlights the importance of favorable trade agreements and infrastructure.

Table 2

Comparative Analysis of Emerging and Developed Economies: Trade Openness, Economic Dynamics, and Key Structural Factors (Norkobilov, 2024)

Country	Industrial Diversification	Infrastructure Readiness	Regional Trade Partnerships	Labor Market Dynamics
Argentina	Low (Agriculture-dominated)	Moderate	Weak (Mercosur limitations)	Challenged (High unemployment)
Bangladesh	Low (Textiles-dominated)	Weak	Limited (SAARC inactive)	Strong (Young, cost-efficient)
Brazil	Moderate	Moderate	Limited	Moderate (Skill gaps)
Colombia	Moderate (Resource-heavy)	Moderate	Limited (Andean Community)	Moderate
Egypt	Moderate	Moderate	Limited (Middle East focus)	Moderate
Ethiopia	Low (Agriculture-focused)	Weak	Weak	Challenged (Low-skilled)
Ghana	Low (Resource-heavy)	Weak	Limited (ECOWAS inactive)	Moderate (Growing potential)
India	High (Diverse industries)	Moderate	Strong (SAFTA, RCEP observer)	Strong (Large workforce)
Indonesia	High	Moderate	Moderate (ASEAN)	Strong
Kazakhstan	Low (Oil-dominated)	Moderate	Moderate (EAEU)	Moderate
Kenya	Low	Weak	Limited (EAC)	Weak (Underdeveloped)
Mexico	High	Strong	Strong (USMCA)	Moderate (Skilled labor gaps)
USA	High	Strong	Strong (Global influence)	Strong
Pakistan	Low (Agriculture-heavy)	Weak	Limited (SAARC inactive)	Weak
Peru	Low	Weak	Limited (Pacific Alliance)	Weak
Philippines	Moderate (Services-focused)	Moderate	Moderate (ASEAN)	Moderate (Growing labor force)
Russia	Low (Resource-dominated)	Strong	Moderate (EAEU)	Moderate
South Africa	Moderate	Moderate	Moderate (SADC)	Challenged (High unemployment)
Turkey	High	Strong	Strong (EU Customs Union)	Moderate
Vietnam	High	Strong	Strong (ASEAN, RCEP)	Strong (Young, efficient)
Uzbekistan	Low (Resource-heavy)	Moderate	Limited (CIS influence)	Moderate

Nations with negative growth rates or trade deficits, such as Argentina and Peru, face significant economic challenges, requiring reforms in trade policy, investment attraction, and domestic industry growth to improve their economic performance. The ability to attract FDI is a critical driver for growth. Countries with low FDI ratios may need to focus on improving their regulatory environment, infrastructure, and political stability to enhance their appeal to international investors.Countries like Vietnam and Mexico have robust trade policies and export strategies that have opened their markets and attracted foreign investment. Mexico's participation in trade agreements like USMCA (formerly NAFTA) has facilitated its integration into global supply chains.

Kazakhstan and Vietnam have attracted significant FDI, contributing to their growth. Policies that promote FDI through tax incentives and regulatory reform have made these nations more attractive to foreign investors. In Turkey and South Africa, significant investments in infrastructure development (like roads, ports, and digital infrastructure) have bolstered their economies and increased trade openness. Russia and Brazil are heavily dependent on natural resources, which plays a large part in their economic development. These countries benefit from higher global demand for commodities but also face the volatility of commodity prices. India and China (not listed but comparable to India) have focused on diversifying their economies to move away from heavy reliance on traditional sectors like agriculture.

Table 3

Categorizing 20 Emerging Economies Based on The Indicators.

(Norkobilov, 2024)

Indicator	Highly Open Economies	Moderately Open Economies	Less Open Economies
Trade Openness	Vietnam (163.25%), Mexico (76.87%), Kazakhstan (57.03%)	Brazil (32.3%), Indonesia (32.97%), Egypt (32.13%)	USA (23.1%), Bangladesh (26.27%), Pakistan (26.72%)
Economic Growth	Ethiopia (6.06%), Vietnam (2.87%), Mexico (1.86%)	Turkey (1.86%), India (3.45%), Egypt (3.55%)	Argentina (-9.9%), Peru (-10.93%), Philippines (-9.52%)
FDI as % of GDP	Vietnam (4.56%), Kazakhstan (4.21%), Mexico (2.81%)	India (2.41%), Brazil (2.59%), Ghana (2.68%)	Bangladesh (0.41%), Pakistan (0.68%), Peru (0.33%)
Trade Balance	Vietnam (5.52%), Russia (5.08%), Mexico (1.62%)	Kazakhstan (4.03%), South Africa (4.37%)	Uzbekistan (-13.48%), Pakistan (-8.12%)

Vietnam and Ethiopia have demonstrated high growth rates despite the global economic slowdown. Their economic growth is driven by export-driven growth and investment in human capital and infrastructure. These countries have large trade surpluses and continue to integrate into global value chains. Argentina, Peru, and Colombia are facing negative GDP growth, largely due to political instability, weak domestic markets, and external factors like commodity price fluctuations (Argentina and Colombia).

Mexico, Turkey, and India have faced negative or low growth, but they are recovering from external shocks like the COVID-19 pandemic. Trade openness in Mexico and Turkey suggests that their trade policies could lead to growth in the medium term. Political instability, poor infrastructure, and regulatory challenges are factors contributing to this trend. Vietnam, Russia, and Mexico have trade surpluses, with their exports exceeding imports. These countries benefit from strong global demand for their exports (like oil, minerals, and manufactured goods in the case of Vietnam and Mexico). Uzbekistan, Pakistan, and Argentina report large trade deficits, reflecting greater reliance on imports than exports. Countries like Argentina and Pakistan are heavily dependent on imported goods, especially machinery and foodstuffs, while struggling with domestic production inefficiencies.

The structured framework provides a comparative view of 20 emerging economies with respect to their economic growth, trade openness, FDI attraction, and trade balance. The countries with high trade openness, like Vietnam and Mexico, show robust trade growth and foreign investment attraction, contributing to economic development. On the other hand, countries like Argentina and Pakistan are experiencing economic struggles, with trade deficits and low levels of foreign investment affecting their development.

Key policy recommendations for improving economic development could include:

- Improving infrastructure to enhance trade capacity.
- Fostering political stability to attract more FDI.
- Diversifying exports to reduce dependency on specific commodities.

Conclusion and suggestions.

The findings indicate that countries with higher trade openness tend to experience stronger economic performance, as trade facilitates access to global markets, technology, and investment. Trade openness enables emerging economies to diversify their industries, boost exports, and attract foreign direct investment, all of which are essential for long-term economic growth. However, the benefits of trade openness are not uniform across all nations. Countries with favorable trade policies, robust infrastructure, and stable political environments have been more successful in leveraging trade to drive development.

In contrast, nations facing trade imbalances or challenges in market integration often struggle to fully harness the potential of trade. In conclusion, trade openness is a vital component of economic development in emerging markets, but its impact depends on the broader policy environment, infrastructure, and the ability of countries to attract and sustain investment. Policymakers must continue to prioritize trade liberalization, improve competitiveness, and enhance domestic capacity to fully benefit from global trade opportunities.

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