

## Global Fragmentation and Market Competitiveness: The Role of Economic Blocs

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## The Shifting Landscape of Globalization

### Geopolitical Fragmentation (GF)

GF is a subset of deglobalization, where nations move towards inward-looking policies, driven by rising geopolitical tensions and skepticism of multilateralism.

### Market Competitiveness (MC)

This study assesses how GF affects the ability of countries to compete in global markets, specifically focusing on trade dynamics.



### Key Research Questions

- 1 How does GF affect MC in BRICS, G7, and ASEAN blocs?
- 2 Do certain blocs benefit from GF?

3 What role do innovation, human capital and institutional quality play in shaping responses to GF?



### Recent Studies

-Positive effects of trade liberalization on MC (Feyrer, 2019; Melitz & Redding, 2021).

Rising fragmentation's adverse impact on trade costs (Campos et al., 2023).

- Research Gaps: Limited comparative analysis across trading blocs.
- Lack of focus on institutional quality and innovation as moderators.



## Methodology

- Key Variables:
- MC Index
- GF Index
- Institutional Quality (IQ)
- Human Capital (HC)
- Innovation (IN)
- Fixed Capital (FC).
- Data Sources: IMD World Competitiveness Ranking, IMF, World Bank
- panel data from year 1997 to 2023 for BRICS, G7 and ASEAN
- This study employs the Cross-Sectional Dependency Autoregressive Distributed Lags (CS-ARDL) method to analyze panel data. CS-ARDL is a robust technique that accounts for cross-sectional dependence, slope heterogeneity, and mixed-order integrated variables.



### Results: CS-ARDL

DV: Market Competitive (MC)	BRICS	G7	ASEAN
ECT	-0.918***	-0.511***	-0.270*
	(0.182)	(0.115)	(0.160)
Long-Run Parameters			
$GF_{t-1}$	0.103***	0.209**	-0.0898
	(0.0240)	(0.0943)	(0.0793)
$IN_{t-1}$	0.0215	-0.00702	-0.811***
	(0.0346)	(0.0553)	(0.273)
$HC_{t-1}$	-0.0242	0.810***	0.821***
	(0.0861)	(0.276)	(0.278)
$IQ_{t-1}$	-2.059***	-4.354***	-2.497***
	(0.344)	(0.821)	(0.797)
$FC_{t-1}$	0.0109***	0.0168***	0.0153
	(0.0034)	(0.00424)	(0.0106)
Short-Run Parameters			
$\Delta GF$	0.00739	0.0269	-0.152
	(0.0583)	(0.0975)	(0.126)
$\Delta IN$	0.0447	-0.0525	-0.0108
	(0.188)	(0.158)	(0.0753)
$\Delta HC$	0.103	-3.634	2.263
	(3.719)	(5.165)	(2.163)
$\Delta IQ$	-1.536***	-2.130***	-1.233***
	(0.214)	(0.247)	(0.479)
$\Delta FC$	0.00721	0.0163	0.00292
	(0.0065)	(0.0143)	(0.0084)
Constant	4.091***	3.290***	3.147*
	(0.862)	(0.724)	(1.879)
Observations	459	459	459



### Results : CS-ARDL (interaction term)

DV: Market Competitive ( <i>MC</i> )	BRICS	G7	ASEAN
ECT	-0.652***	-0.487***	-0.683**
	(0.252)	(0.115)	(0.321)
Long-Run Parameters			
$GF_{t-1}$	-0.858***	2.838***	1.193***
	(0.253)	(0.900)	(0.252)
$IN_{t-1}$	-0.341***	-0.0508	0.0490**
	(0.0659)	(0.0679)	(0.0212)
$HC_{t-1}$	0.631***	1.030***	0.663***
	(0.134)	(0.360)	(0.0637)
$IQ_{t-1}$	-1.088***	-4.957***	-3.203***
	(0.131)	(0.910)	(0.185)
$FC_{t-1}$	0.000636	0.0165***	-0.0253***
	(0.00199)	(0.00392)	(0.00344)
$GF * IQ_{t-1}$	1.683***	-5.324***	-2.521***
	(0.501)	(1.845)	(0.541)
Short-Run Parameters			
Short-Run Parameters $\Delta GF$	-0.599**	0.838	0.982
Short-Run Parameters $\Delta GF$	-0.599** (0.262)	0.838 (0.627)	0.982 (0.670)
Short-Run Parameters $\Delta GF$ $\Delta IN$	-0.599** (0.262) -0.0819	0.838 (0.627) -0.0498	0.982 (0.670) 0.0696
Short-Run Parameters $\Delta GF$ $\Delta IN$	-0.599** (0.262) -0.0819 (0.322)	0.838 (0.627) -0.0498 (0.164)	0.982 (0.670) 0.0696 (0.137)
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$	-0.599** (0.262) -0.0819 (0.322) -3.220	0.838 (0.627) -0.0498 (0.164) -0.433	0.982 (0.670) 0.0696 (0.137) -2.351
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362)	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680)	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980)
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$ $\Delta IQ$	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018***	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122***	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430**
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$ $\Delta IQ$	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018*** (0.328)	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122*** (0.393)	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430** (0.622)
Short-Run Parameters   ΔGF   ΔIN   ΔHC   ΔIQ   ΔFC	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018*** (0.328) -0.00245	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122*** (0.393) 0.0220	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430** (0.622) -0.0124
Short-Run Parameters   ΔGF   ΔIN   ΔHC   ΔIQ   ΔFC	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018*** (0.328) -0.00245 (0.00595)	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122*** (0.393) 0.0220 (0.0154)	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430** (0.622) -0.0124 (0.00963)
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$ $\Delta IQ$ $\Delta FC$ $\Delta GF * IQ$	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018*** (0.328) -0.00245 (0.00595) 1.213**	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122*** (0.393) 0.0220 (0.0154) -1.720	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430** (0.622) -0.0124 (0.00963) -2.354
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$ $\Delta IQ$ $\Delta FC$ $\Delta GF * IQ$	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018*** (0.328) -0.00245 (0.00595) 1.213** (0.540)	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122*** (0.393) 0.0220 (0.0154) -1.720 (1.342)	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430** (0.622) -0.0124 (0.00963) -2.354 (1.551)
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$ $\Delta IQ$ $\Delta FC$ $\Delta GF * IQ$ Constant	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018*** (0.328) -0.00245 (0.00595) 1.213** (0.540) 3.582***	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122*** (0.393) 0.0220 (0.0154) -1.720 (1.342) 3.736***	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430** (0.622) -0.0124 (0.00963) -2.354 (1.551) 2.760
Short-Run Parameters $\Delta GF$ $\Delta IN$ $\Delta HC$ $\Delta IQ$ $\Delta FC$ $\Delta GF * IQ$ Constant	-0.599** (0.262) -0.0819 (0.322) -3.220 (2.362) -1.018*** (0.328) -0.00245 (0.00595) 1.213** (0.540) 3.582*** (1.345)	0.838 (0.627) -0.0498 (0.164) -0.433 (3.680) -2.122*** (0.393) 0.0220 (0.0154) -1.720 (1.342) 3.736*** (0.920)	0.982 (0.670) 0.0696 (0.137) -2.351 (1.980) -1.430** (0.622) -0.0124 (0.00963) -2.354 (1.551) 2.760 (1.801)



## Key Findings: BRICS Bloc

### Long-Term Impact

GF has a positive and significant effect on MC in the BRICS, indicating a possible competitive advantage.

### Factors Affecting MC

While innovation plays a smaller role, human capital and institutional quality have a negative impact on competitiveness in BRICS countries.

## Key Findings: Q7 and ASEAN

### Q7 Bloc

GF positively impacts MC in the G7, demonstrating resilience and ability to manage geopolitical risks.

#### ASEAN Bloc

GF has a negative but insignificant impact on MC in ASEAN, highlighting their vulnerability to geopolitical instability.

### The Importance of Institutional Quality

#### BRICS

Strong institutions can turn the negative impact of GF into a competitive advantage. Adaptive policies, strategic alignment mitigate GF challenges.

#### Q7

GF can be harmful to MC in developed economies without strong institutions. Institutional strength aids resilience but limits expansion.

#### ASEAN

Vulnerable to GF due to weak institutions and innovation systems. Institutional quality can mitigate the negative effects of GF and enhance competitiveness.

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### Policy Recommendation

For Policymakers:

- Strengthen institutional frameworks.
- Promote inclusive trade integration.

#### For Regional Blocs:

- Align policies to mitigate GF effects.
- Encourage collaboration over isolation.
- Global Cooperation and multilateral frameworks to foster balanced growth.



#### Policy Recommendation

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## Conclusion and Next Steps

-Geoeconomic fragmentation has uneven impacts on global trade, with BRICS potentially benefiting, G7 showing resilience, and ASEAN facing challenges.

- Strategic responses determine outcomes.
- Future Research: Explore digital transformation, technological change.
- Takeaway: Institutions and alignment are key to navigating GF.



# Thank you

