

Global Fragmentation and Market Competitiveness: The Role of Economic Blocs

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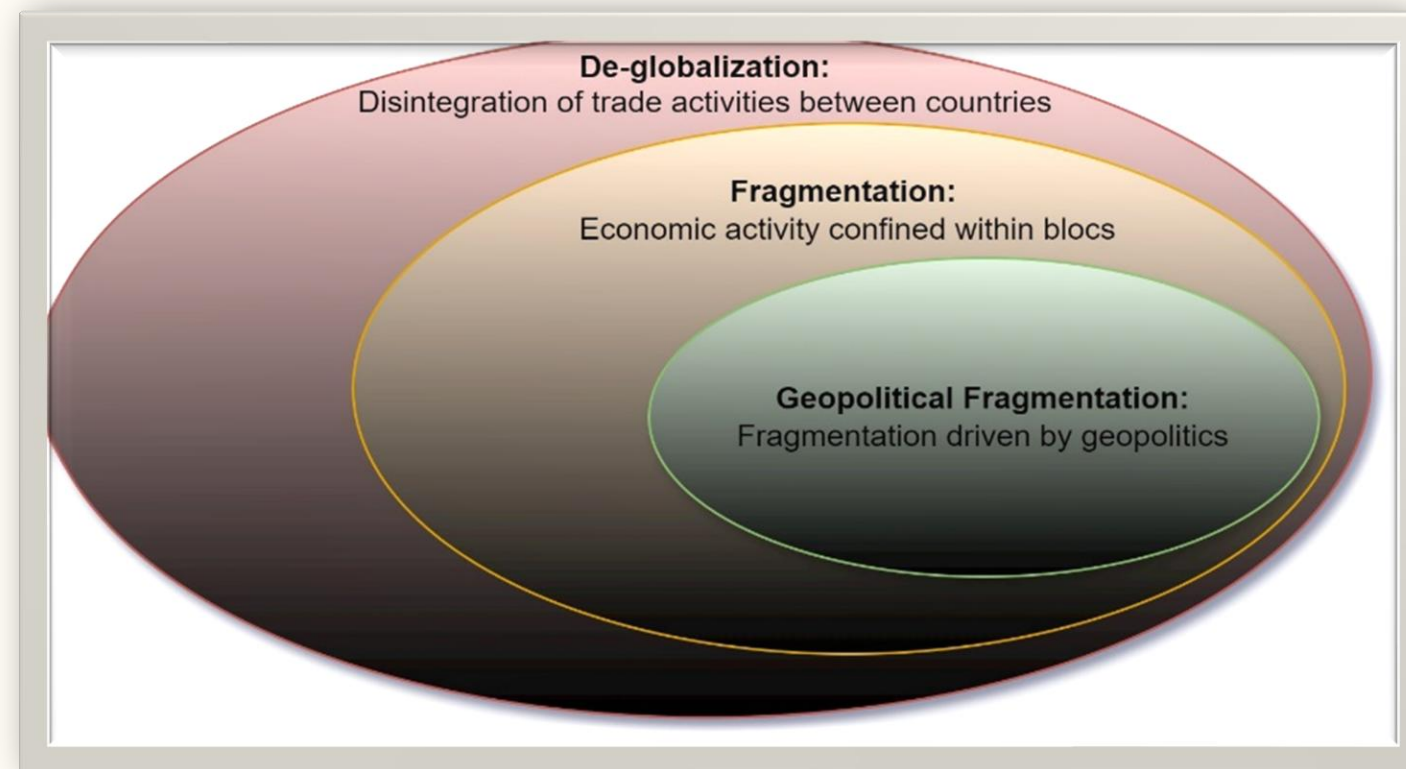
The Shifting Landscape of Globalization

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 QF affect MC in BRICS, Q7, and ASEAN blocs?
- 2 Do certain blocs benefit from QF?
- 3 What role do innovation, human capital and institutional quality play in shaping responses to QF?



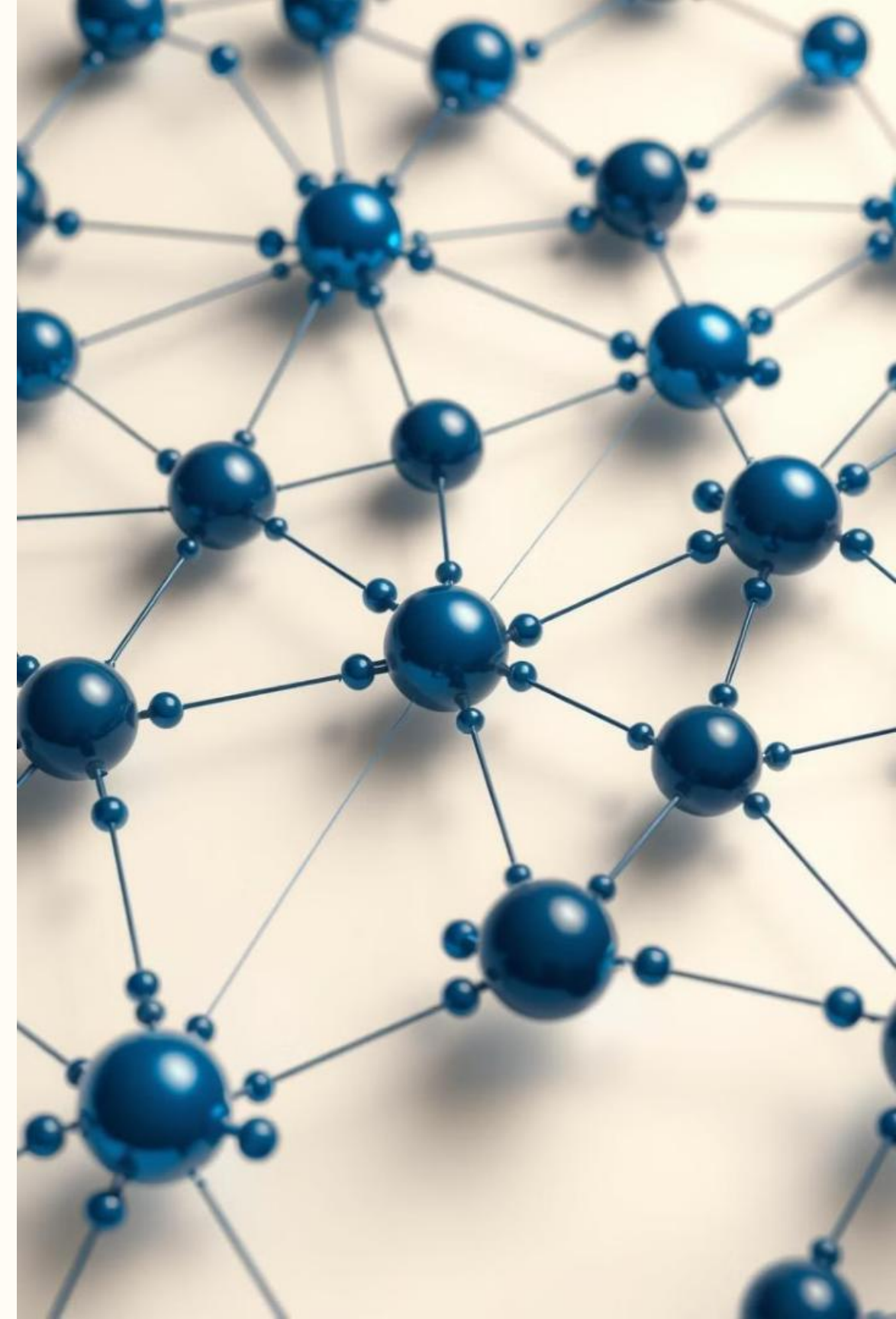
Recent Studies

- 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.



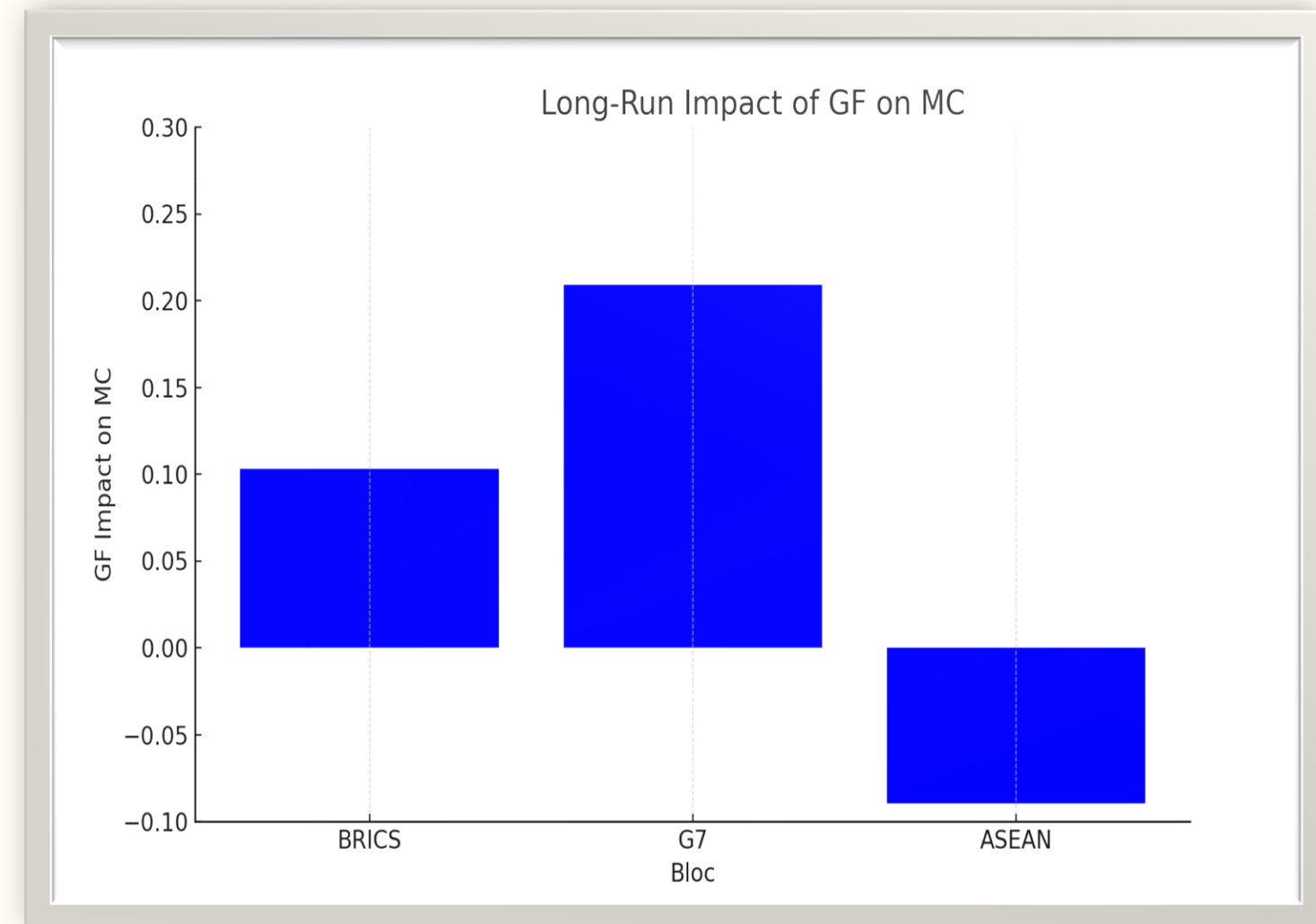
Methodology

- 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.



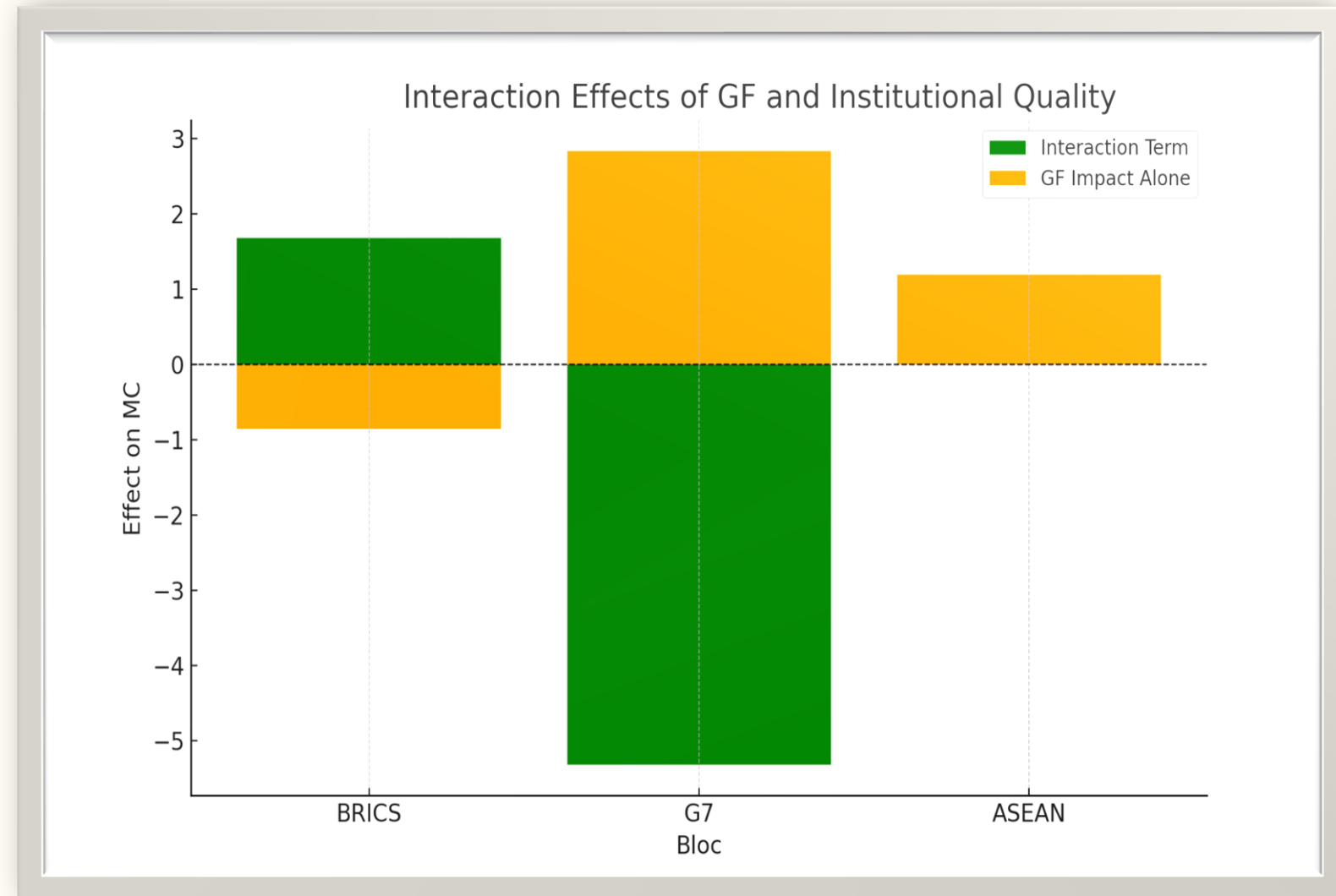
Results: CS-ARDL

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



Results : CS-ARDL (interaction term)

DV: Market Competitive (<i>MC</i>)	BRICS	G7	ASEAN
<i>ECT</i>	-0.652*** (0.252)	-0.487*** (0.115)	-0.683** (0.321)
Long-Run Parameters			
GF_{t-1}	-0.858*** (0.253)	2.838*** (0.900)	1.193*** (0.252)
IN_{t-1}	-0.341*** (0.0659)	-0.0508 (0.0679)	0.0490** (0.0212)
HC_{t-1}	0.631*** (0.134)	1.030*** (0.360)	0.663*** (0.0637)
IQ_{t-1}	-1.088*** (0.131)	-4.957*** (0.910)	-3.203*** (0.185)
FC_{t-1}	0.000636 (0.00199)	0.0165*** (0.00392)	-0.0253*** (0.00344)
$GF * IQ_{t-1}$	1.683*** (0.501)	-5.324*** (1.845)	-2.521*** (0.541)
Short-Run Parameters			
ΔGF	-0.599** (0.262)	0.838 (0.627)	0.982 (0.670)
ΔIN	-0.0819 (0.322)	-0.0498 (0.164)	0.0696 (0.137)
ΔHC	-3.220 (2.362)	-0.433 (3.680)	-2.351 (1.980)
ΔIQ	-1.018*** (0.328)	-2.122*** (0.393)	-1.430** (0.622)
ΔFC	-0.00245 (0.00595)	0.0220 (0.0154)	-0.0124 (0.00963)
$\Delta GF * IQ$	1.213** (0.540)	-1.720 (1.342)	-2.354 (1.551)
Constant	3.582*** (1.345)	3.736*** (0.920)	2.760 (1.801)
Observations	459	459	459



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: G7 and ASEAN

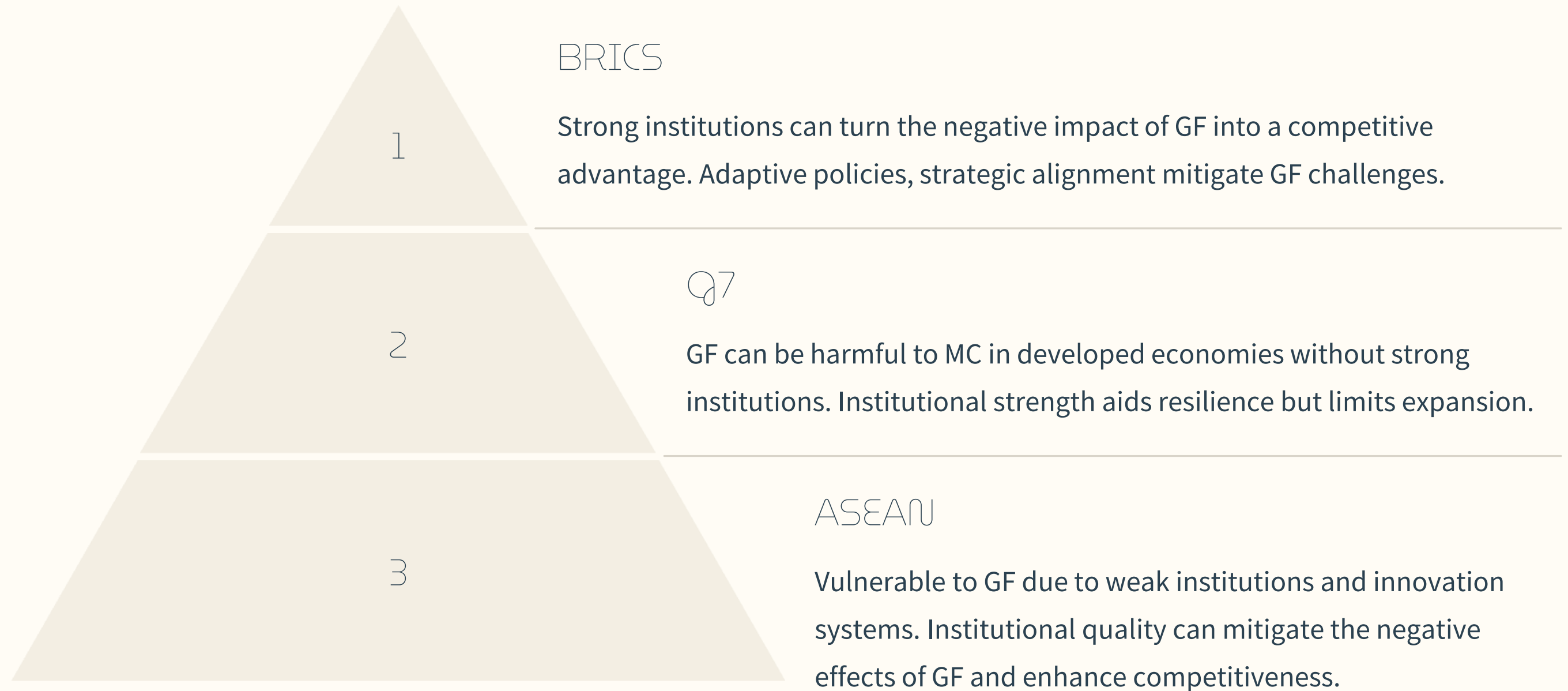
G7 Bloc

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



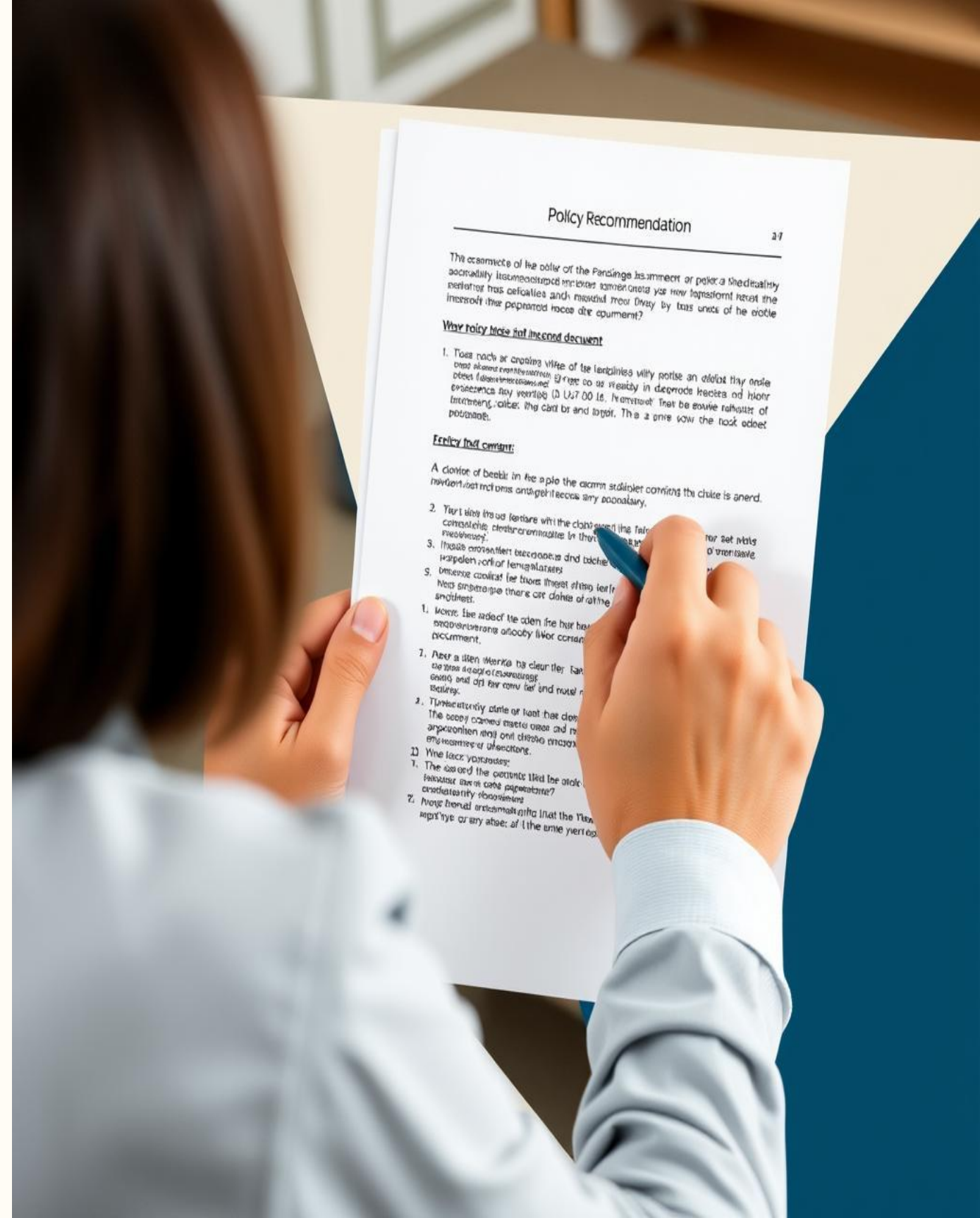
Policy Recommendation

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.



Conclusion and Next Steps

- Goeconomic 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.
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Thank you