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The Transformative Impact of Globalization on Developing Economies

Abstract

This article examines the complex and multidimensional impact of globalization on developing economies. Globalization, driven by expanding trade, foreign direct investment, technological exchange, and migration, has become a powerful force shaping economic transformation. It provides developing countries with wider access to international markets, encourages export growth, supports industrialization, and attracts capital, modern technology, and management expertise. These advantages can increase productivity, improve consumer welfare, and contribute to poverty reduction. However, globalization also creates serious challenges. Domestic industries in emerging economies often struggle to compete with large multinational firms, which may result in job losses and greater income inequality. In addition, dependence on global markets increases vulnerability to financial crises, commodity price fluctuations, and other external shocks. Competition for investment may also weaken labor and environmental standards. The article concludes that the benefits of globalization can be made more inclusive and sustainable only through strong domestic policies focused on education, infrastructure, institutional development, and long-term economic resilience.

Keywords: globalization, emerging economies, transformative impact, current situation, development dynamics

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Qloballaşmanın inkişaf etməkdə olan iqtisadiyyatlar üzərindəki transformativ təsiri

Xülasə

Bu məqalə qloballaşmanın inkişaf etməkdə olan iqtisadiyyatlara mürəkkəb və çoxölçülü təsirini araşdırır. Ticarətin genişlənməsi, xarici birbaşa investisiyalar, texnoloji mübadilə və miqrasiya ilə şərtlənən qloballaşma iqtisadi transformasiyanı formalaşdıran güclü bir amilə çevrilmişdir. Bu proses inkişaf etməkdə olan ölkələrə beynəlxalq bazarlara daha geniş çıxış imkanı yaradır, ixracın artımını təşviq edir, sənayeləşməni dəstəkləyir və kapital, müasir texnologiya, eləcə də qabaqcıl idarəetmə təcrübələrini cəlb edir. Bu üstünlüklər məhsuldarlığın artmasına, istehlakçı rifahının yaxşılaşmasına və yoxsulluğun azalmasına töhfə verə bilər.

Bununla yanaşı, qloballaşma ciddi problemlər də yaradır. İnkişaf etməkdə olan ölkələrin yerli sənaye sahələri çox vaxt iri transmilli şirkətlərlə rəqabətdə çətinlik çəkir ki, bu da iş yerlərinin azalmasına və gəlir bərabərsizliyinin artmasına səbəb ola bilər. Bundan əlavə, qlobal bazarlardan asılılıq maliyyə böhranları, əmtəə qiymətlərinin dəyişməsi və digər xarici şoklara qarşı həssaslığı artırır. Investisiya uğrunda rəqabət isə əmək və ekoloji standartların zəifləməsinə gətirib çıxara bilər.

Məqalədə belə nəticəyə gəlinir ki, qloballaşmanın faydaları yalnız təhsil, infrastruktur, institusional inkişaf və uzunmüddətli iqtisadi dayanıqlığa yönəlmiş güclü daxili siyasətlər vasitəsilə daha inklüziv və davamlı hala gətirilə bilər.

Açar sözlər: qloballaşma, inkişaf etməkdə olan iqtisadiyyatlar, transformativ təsir, mövcud vəziyyət, inkişaf dinamikası

Introduction

What is indicated by the word "globalization," which is an important component of the modern global economy, is the gradually increasing integration of countries via the exchange of goods and services, the movement of financial resources, the development of new technologies, and the adoption of cultural norms.

Globalization is a tremendously transformative force that has a dual nature, and this is especially true for nations that are still in the process of emerging from their respective states. On the one hand, this process creates opportunities and development catalysts that have never been seen before; on the other hand, it exposes these economies to threats that are both wholly new and exceedingly sophisticated. Both of these aspects are a result of the process.

An investigation of the profound and varied impact that globalization has had on the socio-economic structures of these developing countries is going to be carried out as the purpose of this article.

One aspect of the growth of the economy that will be the primary focus of our inquiry is the role that foreign direct investment (FDI), access to global markets, and the transfer of technology play in the process. Alternatively, it will assess the increasing pressure that increased competition is placing on local enterprises that are already suffering, the expanding of economic inequity inside the nation, and the rising sensitivity to shocks from the global economy. All of these factors will be taken into consideration.

In conclusion, our article will provide a comprehensive analysis of the topic at hand, as well as policy recommendations for the ways in which globalization may be able to assist the progress of developing nations in a manner that is both inclusive and sustainable.

Research

The effects of globalization on economic development. The term "globalization" refers to a phenomenon that is continuing and is characterized by the increasing connection and interdependence of states, people, and enterprises all over the globe. This process includes the integration of economic, political, social, and cultural institutions across international boundaries, which ultimately results in increasing flows of products, services, capital, people, and ideas.

Globalization has been accelerating in recent years, and it is being influenced by significant improvements in communication and transportation technology, as well as the liberalization of trade and investment regulations. These factors are all contributing to the acceleration of globalization. We ascribe this higher rate to the significant expansion in international commerce and investment, which is the primary driver behind this increased rate, according to our World Data. The major driver behind the accelerated pace of globalization that we are seeing today is the fast expansion in international commerce and investment. This quick increase is made possible by the removal of trade barriers and the advent of new technologies that allow for the rapid flow of goods, services, and capital across borders.

However, other factors are also important for influencing globalization in the present day. These factors include the development of transportation and communication technology, the emergence of multinational firms, the expansion of global financial markets, and the dissemination of cultural and social standards. We are seeing the rise of a globalized world as a result of the confluence of these causes, which has led to an increase in the degree to which economies and societies all over the globe are becoming more interconnected. However, what precisely does this imply for the continuation of economic growth?

Figure 1. Value of exported goods as a share of GDP



Source: The Effects of Globalization, 2025

If we look historically (Figure 1), in accordance with the quickening pace of globalization, the graph demonstrates that the proportion of global commerce to gross domestic product (GDP) has dramatically grown during the 1970s. It reflects the integration of emerging countries into global value chains that this growth has occurred. The "de-globalization" or "slowbalization" tendencies that have been noticed as a result of the COVID-19 epidemic and growing geopolitical tensions predict that the ratio of trade to GDP will either remain relatively stable or decrease to some degree in the future. This is because we are moving closer and closer to the year 2026. However, long-term trends indicate that international commerce will continue to be an essential component of economic growth for nations who are still expanding their economies (The Effects of Globalization, 2025; MDPI, 2024; UNCTAD, 2024).

Analysis of current situation. According to Diachenko et al., 2025, because it is a multifaceted phenomenon, globalization is comprised of a number of significant characteristics. Globalization is often seen through the lens of the integration and internationalization of the global economy. This is the most characteristic viewpoint. Milner and Keohane assert that the expansion of economic connections across international borders is the cause of the integration that occurs between local and international markets as a consequence of globalization. As a result, it encourages the free movement of money between countries and progressively pushes the prices of goods and services closer together.

A global economy that is linked is evolving as a result of rising trade, investment, and financial flows, which is leaving national borders obsolete. Consequently, this kind of integration renders the particularities of local and international markets insignificant, to the point that the economy of the globe eventually becomes "inside" the economy of the nation-state. To put it another way, the remaining inconsistencies are incapable of being rationally explained.

Liberalization is the second facet of globalization that has been discussed. When considering the latter, it is important to keep in mind that the elimination of restrictions via public policy is a response by governments to the demands that are now being placed on the economy. Furthermore, according to Conley, it is the result of the complex interaction that exists between the microeconomic decisions made by economic players and public policy, which is impacted by the progression of innovation and technological advancement. Despite this, there is still the possibility of state interference in sectors such as efforts to attract investment and manage foreign trade via the use of taxes or government favours. Convergence is the third component, which refers to the process by which national economies converge via the movement of capital and trade, therefore decreasing barriers and becoming more similar in terms of worldwide production patterns.

It is possible for convergence to occur as a result of the development of the most current communication technology, which includes modern transportation and communication. In this manner, local boundaries are eliminated, and a global reality is created in which the "borders of perception" are inexorably expansive. As an example, the Digital 2023:

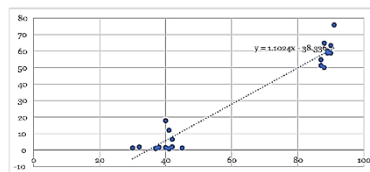
Global Overview Report includes the following: In the globe, there are 5.44 billion people who use mobile phones, which is equivalent to 68% of the whole population. Additionally, there are 5.16 billion people who use the Internet, which accounts for 64.4% of the total population, and 4.76 billion people who use social media (Diachenko et al., 2025; Fagheh Majidi, 2017).

Companies that operate on a worldwide scale are known as transnational corporations (TNCs). Through the use of this technique, they put its key components into action. It is possible to describe globalization as the interconnectedness and similarity of many different economic systems. This definition is based on the influence of multinational firms and the development of communication technology.

There is a paucity of specific metrics for economic progress in the debate inside the global economic system. The World Bank, on the other hand, suggests that the following criteria be considered: gross domestic product (GDP) per capita; the quality of contemporary transport networks; macroeconomic indicators (including, among other things, investment, public debt, inflation, and unemployment); and social indicators (including rates of birth and death, housing, social services, and literacy rate).

According to Diachenko et al., 2025, the KOF Globalization Index, often known as the KOF GI, will be used throughout the course of our inspection. The Swiss Economic Institute of the KOF was the organization that developed this index in order to investigate the impact that globalization has had on national economies. The economic, political, and social components of globalization are all taken into consideration while evaluating it. They conduct an association analysis utilizing both the Globalization Index (GI) and the KOF Globalization Index (KOF EG): Economic Globalization (KOF EG) and GDP (PPP) per capita (\$) (Diachenko et al., 2025). This study is based on data from the World Bank. The correlation analysis reveals that there is a continuous and direct association between the degree of globalization (KOF GI) and the level of development of a country. In the case of the latter, the most illustrative example is the GDP (PPP) per capita.

Figure 2. The relationship between GDP (PPP) per capita and the KOF Globalization Index



Source: Diachenko et al., 2025

A correlation coefficient of 0.975976 has been recorded (Diachenko et al., 2025). To put it another way, the processes of globalization have a considerable influence on the economic progress of countries (Figure 2).

Effect of Globalization on International Agreements and International Trade. We are facing a rising need for more cooperation internationally. The fact that trade among countries keeps increasing means that this trade needs to address various problems facing the world today. This may include climate change. Here are various fields that should be included in a trade treaty (MyWestford, 2025):

Trade. As a part of globalization, more trade has enhanced employment opportunities along with rising tariffs for foreign trade. Improved trade policies are practiced through standardized bodies such as the WTO (World Trade Organization). There needs to be more such policies brought out to reduce tensions associated with tariffs and overcome other issues such as resilience to supply chains.

Climate Crisis. Carbon emissions and fires such as those witnessed in Canada in 2023 are adversely affecting the environment. International agreements and treaties emphasize cutting down carbon emissions, especially those generated in producing electricity and transportation (MyWestford, 2025; Ased, 2024; Selim & Kaya, 2024).

Human Rights & Labor Standards. There are several international treaties that contain a series of basic requirements which most countries agree to follow. This convention defines equitable labor standards in line with minimum requirements for workers' protection and dignity. Among the biggest problems associated with this matter is that countries are not rising with similar speeds. Some actions

might be favorable for a developed nation but may perhaps be unfavorable for a poor nation. This occurs because of the differences between foreign policies and local policies.

Table 1.

Globalization in Action: Country Examples

Country	Policy	Outcome
Denmark	Green Economy Reforms	Leader in renewable energy & sustainability
India	Digital India Mission	Expanding internet access and entrepreneurship
Germany	SME Support Schemes	Stable economic growth and export excellence
Singapore	Global Talent Strategy	Recruits top-tier candidates internationally

Source: MyWestford, 2025

According to Table 1, an examination of the similarities and differences between Denmark, India, Germany, and Singapore indicates that globalization is not a unified process but rather a strategic phenomenon that is influenced by the interests of individual nations. A personalized reaction to evolving global economic dynamics is reflected in the policy choices made by each nation, whether those choices are orientated towards sustainability, digital transformation, industrial competitiveness, or global human capital.

Denmark's green economy reforms demonstrate how environmental policies may convert into long-term competitiveness, therefore putting the nation as a leader in the field of global sustainability. Through its Digital India Mission, India is demonstrating how the proliferation of digital inclusion can encourage entrepreneurial endeavors and bring millions of people into the global digital economy. The continued assistance that Germany provides for small and medium-sized enterprises (SMEs) exemplifies the impact that industrial foundations have in establishing export strength and economic resilience. In the meanwhile, Singapore's global talent strategy demonstrates that human capital mobility is an essential component in maintaining a high-performance economy that is driven by innovation (Sandanayaka et al., 2025; Adu & Adam, 2024; World Bank, 2023).

The data shown in the table illustrates that countries who are proactive in their adaptation to globalization are rewarded. Countries that make investments in forward-looking policies, such as green transitions, digital infrastructure, entrepreneurial ecosystems, and global talent flows, are able to achieve better integration into global markets and improved economic results. This provides more support for the overarching conclusion that globalization is most successful when it is connected with strategic domestic reforms and long-term competitiveness objectives.

Conclusion

It is one of the primary factors that is changing the economic dynamics of emerging nations that globalization does. Generally speaking, economic development, productivity, and social welfare are all improved by trade openness, foreign investment, technology transfer, and the integration of digital financial systems, according to research. However, the influence of globalization is not uniform and may occasionally have unfavorable repercussions. This is because the quality of institutions in certain nations is poor, there are issues with governance, and there is an unequal distribution of resources from country to country.

Once again, the facts demonstrate that globalization does not inevitably result in growth. The outcomes that developing nations accomplish are primarily dependent on the policies they choose to implement, the amount of education they have, the degree to which they adapt to technological advancements, and the social safety measures they have in place. In this sense, it is vital to implement economic policies that are inclusive, to encourage innovation, and to change institutions in order to maximize the advantageous outcomes that globalization could have. Globalization, therefore, has the

potential to be a source of strategic opportunity for developing nations, both in terms of economic development and social stability, provided that it is implemented and managed appropriately.

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