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The Dual Impact of Trade Wars on Emerging Market Economies: A Study on the Link between Economic Growth Volatility and Global Influence

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ABSTRACT

This study examines the impact of the US–China trade war on emerging market economies (EMEs), with a specific focus on how it has exacerbated economic growth volatility and shaped strategic positioning. Using a mixed-methods approach, we construct two composite indices-the Economic Volatility Index and the Global Influence Index-via principal component analysis (PCA), drawing on data from five representative EMEs (Brazil, India, South Africa, Turkey, and Vietnam) between 2013 and 2021. We identify a moderate negative correlation between global influence and economic volatility at the aggregate level, yet country-level analysis unveils substantial heterogeneity: nations with greater influence exhibited milder volatility, whereas less influential economies experienced intensified instability. After the trade war, driven by national heterogeneity, the divergence trend among different countries has become further pronounced. These findings underscore the dual role of the trade war as both an economic disruptor and a strategic catalyst, highlighting how domestic policies and economic structures mediate its effects. This study offers novel insights into the resilience and adaptive strategies of EMEs in an era of great-power competition.

KEYWORDS

Trade War; Emerging Market Economies; Economic Volatility; Global Influence.

1. INTRODUCTION

1.1. Research Background

The global political landscape characterized by faith in liberal internationalism and economic globalization that emerged in the post–Cold War period has gradually been replaced by a state of intense competition among great powers ([22]Ripsman, 2021). The overall steps and direction of this structural transformation can be seen in the strategic competition and trade conflicts between China and the United States. Since Trump took office in 2017, the unperdictability and uncertainty of the U.S.-led transnational system have increased. The subsequent trade war with China, which involved mutual tariff impositions, the establishment of non-tariff barriers, and joint efforts to achieve technological decoupling, marked the escalation of competition between the two countries([24]Tian, 2023). Although the U.S.-China trade war originated in the traded sector, it is actually a broader conflict involving technological standards, global governance norms, and spheres of influence ([29]Winkler, 2023).

Emerging market countries (EMCs) often face a series of challenges in such an environment. Over the past decades, these countries have shifted from being marginal players to key nodes in global value chains and important engines of global economic growth ([6]Chea, 2023). Their integration with the world economy has made them too important to be isolated from the impact of the U.S.-

China conflict, but they lack the structural power to determine the conditions of engagement. The disruption of established trade routes, fluctuations in commodity prices, and the uncertainty brought about by the trade war directly affect the economic performance of these export-oriented economies, leading to significant fluctuations in GDP growth, trade volumes, and financial market stability ([15]Kapustina et al., 2020). On the other hand, the era of great power competition is steadily squeezing the survival space for strategic ambiguity. Although it cannot yet be fully called taking sides, there is at least a tendency towards it. Moving too close to one bloc may invite economic retaliation or diplomatic sanctions from the other, while a firmly neutral stance may risk estrangement from both blocs ([13]Jena et al., 2024). For example, participation in China's the Belt and Road Initiative or support for Huawei and 5G networks are no longer purely economic choices, but are filled with geopolitical significance ([33]Zhao, 2025).

This study conceptualizes the dynamic as the core challenge faced by emerging markets: navigating the complex relationship between their desired level of global influence (the combined level of their economic weight, diplomatic influence, and participation in global governance) and the resulting impact on their economic stability. The traditional assumption might be that greater global influence can buffer external shocks; however, the reality appears to be much more complex, suggesting that the strategic choices made by these countries lead to sharply different outcomes.

1.2. Research Questions and Objectives

The central puzzle motivating this research is the heterogeneity of outcomes observed among emerging market countries as they navigate this dual shock. While all face similar external pressures, their strategic responses and subsequent economic performance vary dramatically. This study, therefore, seeks to move beyond a monolithic understanding of "emerging markets" to explore the nuanced interplay between their international posture and domestic economic resilience. The primary objective is to investigate the correlation between an EMC's global influence and its economic growth volatility amidst the turbulence of the US-China trade war. To achieve this, the research is guided by a series of interrelated questions.

First, how does the overarching context of the trade war concretely affect the patterns of economic growth within major emerging markets? Second, how do these nations strategically position themselves on the global stage, and what tangible economic consequences are associated with these foreign policy orientations? This involves analyzing how EMCs attempt to balance their relationships with competing great powers and how such alignment, or lack thereof, correlates with economic performance. Finally, and most critically, what factors can explain the stark differences in strategies and outcomes among various emerging market nations? By examining a diverse set of cases-Brazil, India, South Africa, Turkey, and Vietnam-this study aims to uncover the underlying determinants of their varied paths. The ultimate goal is to provide a quantitative and qualitative assessment of the dual shock, contributing to a more sophisticated understanding of how middle powers and developing nations exercise agency and manage risk in a fragmenting global order.

1.3. Research Structure

This paper is organized into five chapters to systematically address the research objectives. Following this introduction, Chapter 2 establishes the theoretical and empirical foundations of the study, which reviews relevant theories from international relations and economics, such as Dependency Theory, and established international trade theories that explain the mechanisms of external economic shocks. This chapter also synthesizes existing literature on the economic impacts of trade wars and the foreign policy choices of emerging markets. Chapter 3 presents the mixed-methods research design, explaining the operationalization of the two core concepts of the study. In this chapter, we describe the methodology of Principal Component Analysis (PCA) used to construct a composite "Economic Volatility Index" and a "Global Influence Index" from a range of economic and diplomatic indicators.

This chapter also justifies the selection of the five case study countries and outlines the data sources and time frame for the analysis. Chapter 4 shows the core empirical findings of the research. It begins by presenting the overall statistical relationship between the two indices for the entire sample, followed by in-depth individual case studies that use the quantitative indices and qualitative analysis to explore the divergent patterns observed in each nation. Finally, Chapter 5 concludes the thesis by summarizing the key findings, discussing their broader theoretical and policy implications for emerging market countries, acknowledging the limitations of the study, and proposing avenues for future research.

2. THEORETICAL BACKGROUND AND LITERATURE REVIEW

This chapter establishes the theoretical and empirical context for the study by examining the frameworks used to understand the dual economic and political pressures faced by emerging market countries (EMCs).

2.1. Foundational Theories in International Relations and Economics

In order to understand the environment and problems faced by emerging market countries in the current global context, dialectically viewing the relationship between liberal international trade theory and structuralist international trade theory provides a valuable entry point. International trade theory is largely influenced by classical and neoclassical economics, and it has been the domaint paradigm since World War II. It argues that regardless of a country's level of development, position, or circumstances, if it focuses on producing goods with lower opportunity costs, then it can benefit from specialization and free trade ([8]Chen, 2022). Furthermore, this framework is based on the logic of globalization, and according to such logic, the integration of emerging market countries into the global economy will bring about efficiency gains, knowledge spillovers, and eventually economic convergence with developed countries ([32]Zhang, 2008). Therefore, based on international trade theory, trade wars are not rational and can even be said to be somewhat foolish, because they are a kind of distorted market intervention that brings unnecessary losses to all participants and undermines the global welfare gains brought by an open trade system. Other theories based on the structuralist framework also express similar views. For example, dependency theory argues that it is an unfair, hierarchical core-periphery structure that creates the competitive environment ([17]Kvangraven, 2023). In this model, peripheral countries, including many emerging market countries, are integrated into the global economy under unequal conditions, mainly as exporters of raw materials and low value-added products, while importing high value-added manufactured goods from core countries. This structural relationship leads to a long-term decline in their terms of trade and perpetuates underdevelopment and dependency ([20]Namkoong, 1999). Based on this analysis, trade wars are not only a policy mistake but also a symptom of the power politics inherent in the global capitalist system. For emerging market countries, conflicts between core powers such as the United States and China do not allow them to escape dependency, but instead force them to make troubling choices between different forms of dependency, both of which may reinforce their subordinate position and expose them to the whims of great power politics.

2.2. Theories of Economic Growth Volatility

The economic instability experienced by EMCs during a trade war is best explained by External Shock Theory. This body of economic thought analyzes how disturbances originating outside a nation's borders are transmitted into its domestic economy, causing deviations from its potential growth path. A trade war initiated by great powers is a quintessential external shock, transmitted through trade, financial, and confidence channels. In the trade channel, tariffs and barriers disrupt commerce, limiting EMCs' access to export markets, raising import costs, and forcing inefficient supply chain restructuring ([9]Cheptiş, 2022). The financial channel reflects heightened uncertainty,

driving capital outflows from emerging markets, causing currency depreciation, stock declines, and higher borrowing costs-often termed “sudden stops” ([19]Maćkowiak, 2007). Finally, the confidence channel reduces investment and consumption, as firms delay expansion and consumers cut spending, reinforcing slower economic growth. For EMCs, which often rely heavily on foreign direct investment (FDI) to drive development, a collapse in investor confidence can have long-lasting negative consequences on their growth trajectory ([11]Chunga & Yu, 2024).

2.3. Theoretical Basis of Foreign Policy Choice

International Political Economy rejects monolithic explanations and instead focuses on the decision-making processes of state leaders, who are seen as rational actors operating under significant constraints. A key framework here is Robert Putnam's concept of the "two-level game." Putnam (1988) [21] argues that national leaders simultaneously operate in two arenas: the international (level one), where they negotiate with other countries to maximize national interests, and the domestic (level two), where they must build coalitions and satisfy domestic constituencies to remain in power. A foreign policy choice is only viable if it can secure a "win-set" at both levels-that is, an outcome that is both beneficial internationally and acceptable domestically.

In the context of a US-China trade war, an EMC leader's decision on whether to align more closely with one power, the other, or attempt a balancing act is a classic two-level game. Internationally (level one), the leader assesses the potential economic benefits (e.g., preferential trade access, investment, technology transfer) and costs (e.g., retaliatory tariffs, diplomatic isolation) of each option. Domestically (level two), the leader must consider the preferences of key economic sectors (e.g., exporters who favor access to the US market vs. industries reliant on Chinese investment), the ideological leanings of political elites, and the sentiments of the general public. For example, a decision to embrace Chinese-led infrastructure projects might be economically attractive but could face domestic opposition on grounds of national security or debt sustainability. Conversely, aligning with US-led initiatives might appeal to certain domestic groups but risk alienating a crucial trading partner. The heterogeneity in domestic political institutions, economic structures, and historical alignments across EMCs leads to different calculations, and therefore, to divergent foreign policy outcomes that this study seeks to explain through its "Global Influence Index."

2.4. Review of Related Empirical Studies

A growing body of empirical literature has sought to quantify the multifaceted impacts of the recent great power competition on third-party countries. Initial studies on the economic effects of the US-China trade war focused heavily on trade diversion and trade destruction. Research using computable general equilibrium (CGE) models and gravity models of trade has consistently found that while the direct participants (US and China) suffer welfare losses, some third-party countries, particularly in Southeast Asia, like Vietnam, have experienced short-term gains as trade is diverted to their markets to avoid tariffs ([7]Chen et al., 2021). However, other studies have highlighted the negative spillover effects, showing that the overall climate of uncertainty and the disruption to complex global value chains (GVCs) have had a net negative impact on global trade and GDP, particularly for commodity-exporting EMCs that suffer from depressed global demand ([28]Wang & Laufer, 2024).

Regarding growth volatility, numerous studies have employed econometric techniques, such as Vector Autoregression (VAR) models, to analyze the impact of trade policy uncertainty. The research indicates a strong negative correlation between heightened trade uncertainty and key macroeconomic variables like business investment, industrial production, and employment in emerging markets ([1]Bartak et al., 2021). The volatility is not limited to the real economy; event studies analyzing financial market reactions to major trade policy announcements have shown significant negative abnormal returns and increased stock market volatility in EMCs, confirming the rapid transmission of shocks through the financial and confidence channels ([2]Bhowmik & Wang, 2020).

3. RESEARCH DESIGN

This paper adopts both quantitative and qualitative analysis methods, combining them to form an objective and multidimensional research design. The quantitative part constitutes the foundational pillar of this paper, while Economic Volatility and Global Influence are the core variables constructed and evaluated in this study. Most of the concepts are integrated in a composite manner to construct these two robust indices.

3.1. Sample Selection and Data Collection

The selection of cases for this study was guided by the need to include geographically diverse and strategically significant emerging market countries that have navigated the pressures of the US-China trade war with notably different approaches and outcomes. The five countries selected-Brazil, South Africa, India, Turkey, and Vietnam-meet these criteria. They represent major regional actors from South America, Africa, and Asia, and their foreign policy orientations range from strategic autonomy to closer alignment with one of the major power blocs.

Data for this study were compiled from a range of authoritative, publicly available databases to ensure reliability and validity. Economic indicators, including data on national accounts, trade, inflation, and financial markets, were primarily sourced from the World Bank's World Development Indicators (WDI) database and its Global Financial Development Database (GFDD) ([30][31]World Bank, n.d.). Data on the size of national diplomatic networks were obtained from the Lowy Institute's Global Diplomacy Index ([18]Lowy Institute, n.d.). Information on contributions to international security was sourced from official United Nations Peacekeeping statistics ([26]United Nations Peacekeeping, n.d.). Finally, data on foreign policy alignment in international forums were derived from Voeten's UN General Assembly Voting Data, which is maintained and distributed by the Harvard Dataverse ([27]Voeten et al., 2009). All data were collected at the annual frequency for the specified time period (2010-2021).

3.2. Construction of Economic Volatility Index and Global Influence Index

After the initial data were collected from various sources, they were meticulously processed and cleaned in SPSS. These scattered and diverse sources of data were first merged into a unified panel dataset, with country-year as the unit of analysis. After data cleaning, composite indices were constructed to make the operationalization of the two core indicators in the paper possible. To ensure that indicators with different units and scales were comparable, all variables used in the index construction were first standardized into Z-scores. For the construction of both indices, Principal Component Analysis (PCA) was employed. PCA is a dimensionality-reduction technique used to transform a large set of correlated variables into a smaller set of uncorrelated variables, known as principal components, while retaining most of the variation present in the original dataset ([14]Jolliffe & Cadima, 2016). For each set of indicators (economic and global influence), the first principal component, which by definition captures the maximum possible variance within the data, was extracted. The factor scores generated for this first component were then saved as new variables, serving as the final "Economic Volatility Index" and "Global Influence Index" for subsequent analysis.

3.3. Estimation strategy

We conducted a series of statistical tests using the constructed index. First, to assess the overall relationship across the entire sample of 60 country-year observations, a bivariate Pearson correlation coefficient was calculated. This provided a single measure of the strength and direction of the linear association between global influence and economic volatility. This statistical test was supplemented by the creation of a scatter plot with a regression fit line to provide a visual representation of the overall trend. Second, to facilitate a cross-country comparison as outlined in the empirical chapter,

the Compare Means procedure was utilized. The dataset was grouped by country, and the mean scores for both the Economic Volatility Index and the Global Influence Index were calculated for each of the five nations. This allows for a static, summary-level comparison of the average positioning of each country on these two dimensions over the entire period of study. Finally, a simple linear regression analysis was implemented to supplement the trend shown by the time series comparison chart.

4. EMPIRICAL ANALYSIS

4.1. Case Studies: Navigating the Dual Shock

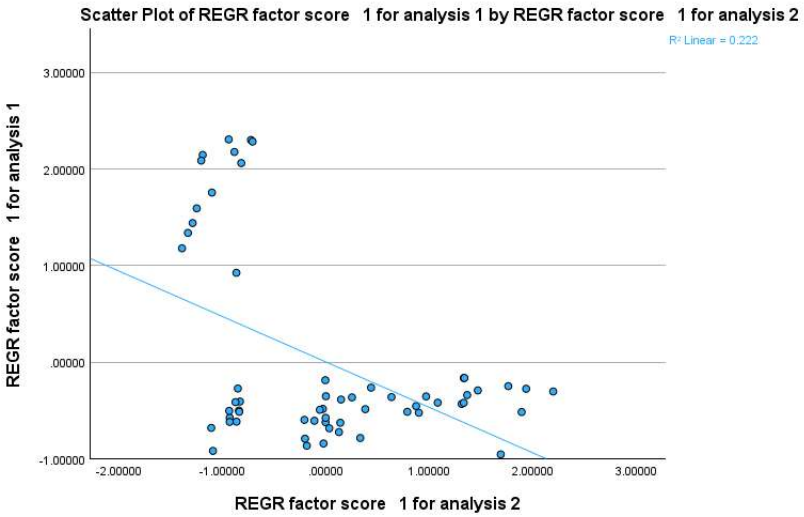

Figure 1. Scatter Plot of REGR factor score 1 for analysis 1 (Economic Volatility Index) by REGR factor score 1 for analysis 2 (Global Influence Index)

The overall statistical analysis for the pooled data, presented in the scatterplot in Figure 1, reveals a moderate and statistically significant negative correlation ($r = -0.471$, $p < .001$) between the Global Influence Index and the Economic Volatility Index. This aggregate result suggests a general trend wherein greater global influence is associated with lower economic volatility for emerging markets. However, this high-level finding masks a profound heterogeneity at the individual country level. The following case studies dissect this complexity, revealing that the relationship is not uniform and is heavily conditioned by national economic structures and strategic policy choices.

(1) Brazil: Influence Through Commodity Exports as a Source of Volatility

Brazil, as a major commodity exporter and a key player in Latin America, entered a period of significant domestic political and economic instability during the trade war([4]Brainard & Martinez-Diaz, 2009). Its primary channel of interaction with the US-China conflict was through its agricultural sector, particularly soybean exports. As China sought to diversify away from US agricultural imports in response to tariffs, Brazil emerged as a primary alternative supplier ([4]Brainard & Martinez-Diaz, 2009). This development paradoxically elevated Brazil's strategic importance in specific global supply chains while its broader diplomatic influence was arguably waning amidst domestic turmoil.

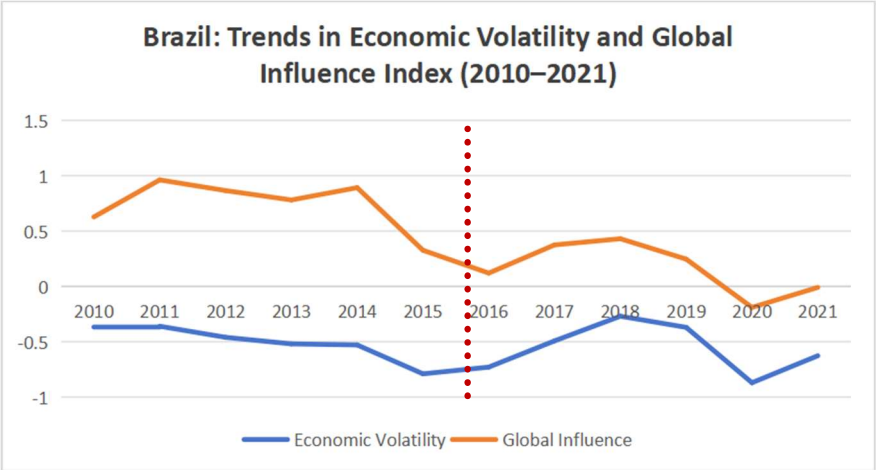

Figure 2. Brazil: Trends in Economic Volatility and Global Influence Index (2010–2021)

The dynamic relationship between Brazil's global influence and economic volatility is illustrated in Figure 2. The time-series data shows significant fluctuation in both indices over the period. The Global Influence Index saw a decline after 2014, coinciding with a period of severe recession and political crisis, before showing a modest recovery. And continued its downward trend after the trade war. The Economic Volatility Index rose sharply during the 2015-2016 recession, experienced a slight increase after 2017, followed by a decline influenced by the pandemic, and then surged again in 2020 when the global economy was impacted. Counterintuitively, the country-specific regression analysis reveals a statistically significant positive relationship between the two indices (Beta = 0.602, p = .038). This finding suggests that for Brazil, periods of heightened global influence were associated with increased, not decreased, economic volatility. This can be interpreted through the lens of its trade war role: as Brazil's influence became more concentrated in its status as a key commodity supplier to China, its economy became more exposed and sensitive to the volatile dynamics of Chinese demand and the ongoing trade dispute. The very source of its heightened relevance simultaneously became a conduit for external shocks, linking its influence directly to instability.

(2) South Africa: Domestic Challenges Obscuring External Shocks

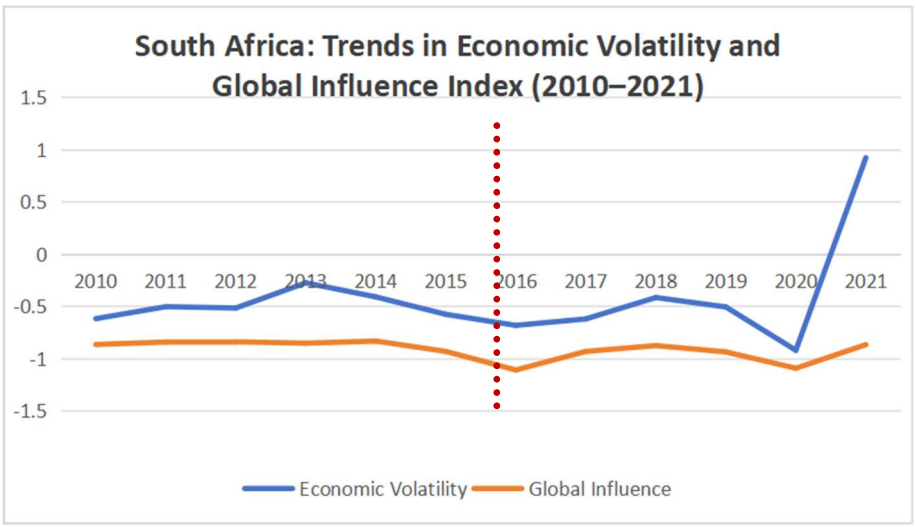

Figure 3. South Africa: Trends in Economic Volatility and Global Influence Index (2010–2021)

South Africa, a dominant regional power in Africa, has been beset by persistent domestic economic challenges, including low growth, structural unemployment, and inequality, which have defined its trajectory throughout the study period ([5]Braveboy-Wagner, 2016). While maintaining deep trade relationships with both China and Western economies, its strategic response to the trade war has been comparatively subdued, largely overshadowed by internal policy priorities such as stimulating domestic demand and fostering regional cooperation within the African Continental Free Trade Area ([12]Ibrahim et al., 2021).

As shown in Figure 3, South Africa's Global Influence Index remained consistently in the negative range, indicating a lower level of influence relative to the sample average, with only minor fluctuations and no substantial improvement or decline after 2017. Its Economic Volatility Index was also relatively stable and low from 2017 to 2020, before experiencing sharp fluctuations in 2021, likely attributable to the severe impacts of the COVID-19 pandemic and domestic unrest. The individual regression analysis confirms this muted dynamic, showing no statistically significant relationship between global influence and economic volatility ($p = .172$). This result suggests that for South Africa, the dual shock of the trade war was not a primary driver of its economic outcomes. The country's chronic and severe domestic structural issues appear to be the dominant factor determining its economic performance, rendering the marginal effects of its international positioning statistically insignificant.

(3) India: Strategic Autonomy as an Economic Buffer

India has pursued a foreign policy of strategic autonomy, consciously balancing its relationships with multiple global powers, including the United States, China, and Russia, while avoiding formal alliances ([16]Khurshid, 2023). Economically, its massive domestic market provides a degree of insulation from external shocks that is unavailable to more trade-dependent nations. This has been complemented by policies such as the "Make in India" initiative, aimed at bolstering domestic manufacturing and reducing reliance on imports, particularly from China ([3]Bishnoi, 2019).

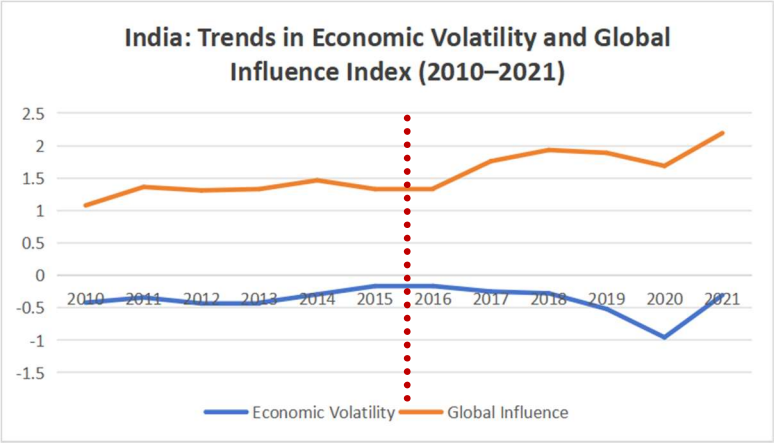

Figure 4. India: Trends in Economic Volatility and Global Influence Index (2010–2021)

This strategic posture is reflected in the empirical results. Figure 4 demonstrates a clear and remarkably steady upward trend in India's Global Influence Index after 2017, establishing as the nation with both the highest influence level and the most stable growth pattern among our sample. Meanwhile, its Economic Volatility Index remained relatively low and stable, with a notable negative shock in 2020 reflecting the severe, but temporary, impact of the nationwide pandemic lockdown. The country-specific regression analysis found an insignificant relationship between the two indices ($p = .758$). This finding is highly significant in its nullity. It suggests that India's strategic approach has been successful in decoupling its rising international stature from external economic volatility.

By cultivating a diverse array of foreign policy partnerships while simultaneously focusing on the resilience of its domestic economy, India appears to have effectively buffered itself from the dual shock, allowing it to increase its global influence without incurring a corresponding penalty of increased economic instability.

(4) Turkey: The Primacy of Idiosyncratic Domestic Policy

Turkey's experience during the study period is defined by its unique geopolitical position and, more critically, by a highly unorthodox domestic economic policy framework. Its foreign policy has been characterized by assertive, and often unpredictable, maneuvering between NATO allies and other regional powers ([25]Turhan, 2025). Simultaneously, its domestic economy has contended with persistent high inflation and currency instability, largely driven by unconventional monetary policy decisions ([23]Sakarya et al., 2025).

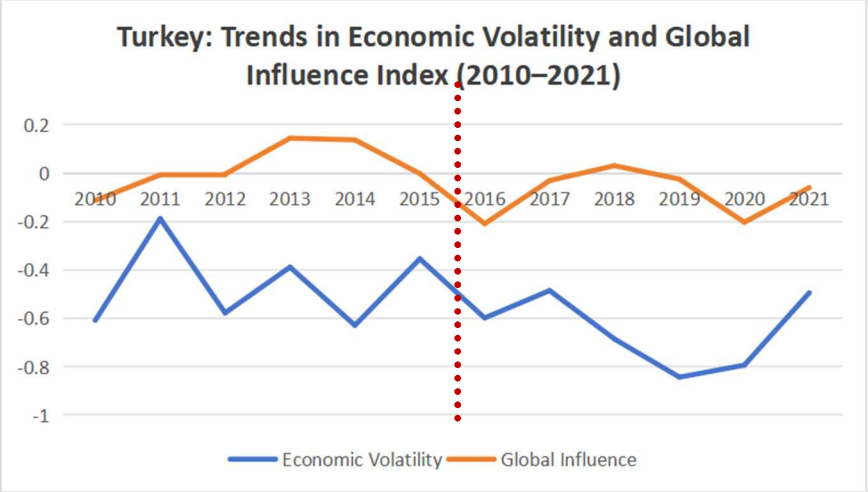

Figure 5. Turkey: Trends in Economic Volatility and Global Influence Index (2010–2021)

As shown in Figure 5, Turkey's Global Influence Index fluctuates within a narrow range close to the sample average before and after 2017. Its Economic Volatility Index, surprisingly, is the lowest on average among the five countries. This may be because the index captures statistical volatility (fluctuation) rather than outright poor performance; an economy on a consistent, albeit problematic, path may register as less volatile than one experiencing sharp boom-bust cycles. The regression analysis for Turkey indicates an insignificant relationship between its global influence and economic volatility ($p = .309$). Similar to the case of South Africa, this suggests that the impact of external shocks from the trade war is secondary to the powerful effects of domestic policy choices. Turkey's economic trajectory appears to be overwhelmingly driven by its internal monetary and fiscal management, with its foreign policy alignment having no discernible statistical effect on its economic stability.

(5) Vietnam: Trade Diversion and the High Volatility of Hyper-Integration

Vietnam stands out as the archetypal beneficiary of trade diversion resulting from the US-China trade war. Its economy, which is fundamentally oriented around exports and deeply integrated into global value chains, became a prime destination for manufacturing firms seeking to relocate production out of China to avoid US tariffs ([10]Choi & Nguyen, 2023). This relocation boom dramatically increased Vietnam's importance in global trade flows.

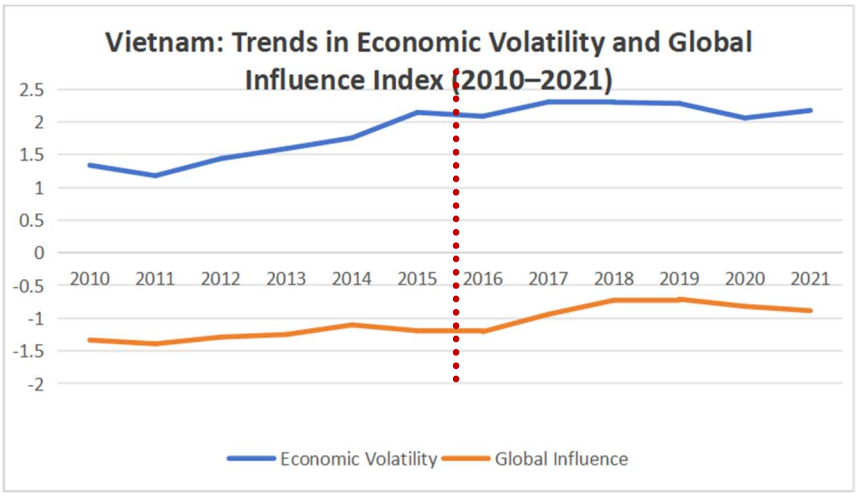

Figure 6. Turkey: Trends in Economic Volatility and Global Influence Index (2010–2021)

This dynamic is powerfully illustrated by the data. Figure 6 shows that Vietnam's Economic Volatility Index is consistently and significantly higher than that of any other country in the sample, reflecting its hyper-dependence on the external sector. Concurrently, its Global Influence Index, while starting from the lowest base, exhibits a clear upward trend, particularly after 2017, as the trade war began to escalate. The regression analysis reveals a strong and highly significant positive correlation between the two indices (Beta = 0.830, $p < .001$). This is a profound finding. It demonstrates that for Vietnam, the very factors driving its ascent in global influence-its role as an alternative manufacturing hub-are the same factors that tether its economy to a state of high volatility. Its growth model is predicated on the unstable dynamics of great power conflict and global supply chain reconfigurations. Therefore, its rising influence and its heightened economic volatility are not separate phenomena, but are two sides of the same coin in its strategy of deep integration.

Table 1. Case Studies: Navigating the Dual Shock

Country	Mean Global Influence Index	Mean Economic Volatility Index	Nature of the Relationship (Influence vs. Volatility)	Inferred Geopolitical/Economic Strategy
Brazil	0.46	-0.53	Significant, Positive	Sector-specific influence (commodities) creates new vulnerabilities.
India	1.56	-0.38	Insignificant	Strategic autonomy and a large domestic market act as an effective buffer.
South Africa	-0.91	-0.43	Insignificant	Domestic structural challenges overshadow the impact of external shocks.
Turkey	-0.03	-0.55	Insignificant	Idiosyncratic domestic economic policy is the primary driver of outcomes.
Vietnam	-1.07	1.89	Strong, Significant, Positive	Hyper-integration and trade diversion link rising influence directly to high volatility.

4.2. Cross-Country Comparison

The case studies reveal that the initial aggregate finding of a negative correlation between influence and volatility is an oversimplification. The reality is one of profound divergence, driven by differences in economic structure and strategic choice. This section synthesizes these differences to draw broader comparative conclusions.

(1) Commonalities and Differences in Economic Volatility

A clear pattern emerges from the cross-country comparison of the Economic Volatility Index. As indicated by the mean scores in the summary table, Vietnam exhibits a level of economic volatility far exceeding the other nations in the sample. This reflects the inherent instability of its export-led growth model, which, while successful in generating growth, makes the country highly susceptible to fluctuations in global demand and the disruption of GVCs. At the other end of the spectrum, countries like Turkey, Brazil, and India show comparatively lower average volatility. For India, this stability can be attributed to its large, domestically oriented economy, which provides a substantial cushion against external trade shocks. For Turkey and Brazil, the lower volatility scores are more complex, potentially reflecting specific policy choices or economic structures that, while not always optimal for growth, have resulted in less fluctuation during the specific period studied. The key differentiating factor appears to be the degree of trade dependence and the nature of a country's integration into the global economy.

(2) Differences in Global Influence and Strategic Posture

The Global Influence Index likewise reveals significant strategic divergence. India stands out as the country with the highest and most steadily increasing influence score, reflecting its successful pursuit of strategic autonomy and its growing role as a major economic and demographic power. At the opposite end, Vietnam and South Africa register the lowest average influence scores, though for different reasons. Vietnam's low score, despite its rising economic importance, reflects a more narrowly focused, economy-centric foreign policy, while South Africa's reflects a nation whose global standing is constrained by pressing domestic issues. Brazil and Turkey occupy a middle ground, possessing significant regional influence but with their broader global roles fluctuating in response to domestic political and economic conditions. These differences show that there is no single model of engagement for emerging markets; rather, each country calibrates its level and type of global engagement based on its unique combination of national interests, capabilities, and domestic political realities.

(3) Policy Responses and Coordination

The analysis demonstrates a near-total absence of coordinated policy responses among the EMCs. Each nation appears to have pursued a largely independent strategy tailored to its own circumstances. We can identify two archetypal, and opposing, strategic responses. The first, exemplified by India, is a strategy of buffering, which combines a diversified foreign policy of strategic autonomy with a strong focus on developing domestic sources of economic resilience. The second, exemplified by Vietnam, is a strategy of hyper-integration, which involves leaning into the opportunities created by the trade war (i.e., trade diversion) to accelerate its export-led development model, accepting high volatility as the price for rapid growth. The other cases-Brazil, Turkey, and South Africa-do not fit neatly into either archetype, as their responses appear to be more heavily conditioned by path-dependent economic structures or overwhelming domestic political and economic concerns. This lack of coordination underscores the competitive, rather than cooperative, dynamics that characterize the current global environment. While international organizations like the WTO and IMF exist to manage global economic governance, their role appears to be limited in a conflict defined by the national security interests of great powers, forcing EMCs to navigate the resulting shocks on their own.

5. DISCUSSION AND CONCLUSION

This concluding chapter synthesizes the empirical findings presented in Chapter 4 to address the central research questions of the thesis. It aims to move beyond the presentation of individual results to a higher-level discussion of their collective significance. The chapter is structured into three sections. The first section summarizes the main findings, interpreting underlying patterns from the quantitative analysis that were not detailed in the previous chapter and distilling the key lessons from the divergent experiences of the five case study countries. The second section leverages these findings

to formulate a set of policy recommendations for emerging market countries seeking to enhance their resilience in an era of great power competition. The final section provides a candid assessment of the study's limitations and suggests promising avenues for future research.

5.1. Main Findings

The empirical analysis has yielded several key findings regarding the dual shock of economic volatility and strategic alignment pressures on emerging market countries. A deeper examination of the quantitative data reveals the composition of the core indices, which provides a crucial layer of context. The Economic Volatility Index was found to be most heavily loaded by indicators of international economic exposure, namely Trade Dependence and Exchange Rate fluctuations. This confirms that the economic instability measured in this study is intrinsically linked to the external sector, validating the premise that global trade conflicts are a primary source of the shock. Similarly, the Global Influence Index was overwhelmingly driven by measures of economic scale (GDP, trade volume) and diplomatic infrastructure (embassy networks). Notably, for the sample of countries studied, a higher score on this index was not positively correlated with closer alignment to the United States in UN General Assembly voting, suggesting that for these actors, global influence is pursued through a multi-polar or non-aligned lens rather than through simple allegiance to the established hegemon. While the aggregate analysis of all sixty country-year observations revealed a moderate negative correlation between global influence and economic volatility, the central finding of this thesis is that this trend is not a uniform law. The case study analysis demonstrated profound divergence, revealing that the dual shock acts less as a uniform force and more as a systemic stress test that exposes and amplifies the pre-existing economic structures and strategic orientations of individual nations.

5.2. Policy Recommendations

This study proposes tailored policy recommendations for emerging markets (EMCs) facing global turbulence. Given strategic divergence, no universal model applies; policies must match national structures while building resilience. Economically, EMCs should strengthen domestic demand, diversify beyond single sectors or markets, and invest in higher value-added industries-e.g., Vietnam using trade gains to broaden its economy, or Brazil reducing commodity dependence. In foreign policy, strategic agility is key: multi-alignment with the U.S., China, the EU, Japan, and others preserves flexibility. Finally, deeper South-South cooperation and stronger regional blocs like ASEAN, Mercosur, and AfCFTA can boost bargaining power and reduce vulnerability.

5.3. Limitations and Future Research

This study, while providing valuable insights, is subject to several limitations that also point toward avenues for future research. First, the analysis is constrained by data availability. The use of annual data may mask significant short-term volatility that could be better captured by quarterly or monthly data. Furthermore, the composite indices, while robustly constructed, rely on proxies. For instance, embassy counts serve as a proxy for diplomatic infrastructure, but do not capture the qualitative aspects of diplomatic influence.

Second, the case selection, while diverse, is not exhaustive. The findings from these five countries may not be generalizable to all emerging markets, particularly those with different economic structures (e.g., resource-poor nations) or in different geopolitical contexts (e.g., Eastern Europe or the Middle East). The conclusions drawn here should therefore be considered illustrative of specific strategic pathways rather than universally applicable laws.

Third, the quantitative models employed in this study, namely Principal Component Analysis and simple linear regression, are effective for identifying correlations and constructing indices, but they

cannot definitively establish causality. The relationships observed are associative, and the analysis does not rule out the influence of omitted variables or potential endogeneity.

These limitations suggest several directions for future research. In-depth, qualitative case studies employing process-tracing methods would be invaluable for unpacking the domestic political decision-making (the "two-level game") that drives the strategic choices identified in this thesis. Expanding the quantitative analysis to a larger sample of emerging markets could test the generalizability of the archetypes identified here. Finally, the application of more advanced time-series econometric models, such as Panel Vector Autoregression (Panel VAR), could provide more dynamic and causally-informed insights into the transmission of the dual shock, allowing for the explicit modeling of feedback loops and the inclusion of a wider range of control variables.

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