



# Globalization and Economic Development in Developing Countries: Opportunities, Challenges, and Sustainability

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## Abstract

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Globalization is a multidimensional phenomenon that generates ambivalent impacts on developing countries. On the one hand, it offers opportunities through expanded trade, Foreign Direct Investment, and accelerated digitalization that strengthen integration into the global economy. Participation in global value chains has been shown to enhance industrialization and foster sustainable economic growth when supported by adequate domestic capacity. On the other hand, globalization also creates challenges in the form of dependency on advanced economies, income inequality, and the exploitation of natural resources. These findings align with dependency and world-systems theories, which emphasize the structural dominance of core countries over the periphery. A new direction of globalization emphasizes sustainability through the concept of green globalization, which views trade openness as a mechanism for promoting renewable energy adoption and environmentally friendly practices. The growing role of transnational actors such as non-governmental organizations and international institutions is also essential in ensuring that globalization contributes to social justice and the achievement of the Sustainable Development Goals.



## **1. Introduction**

Globalization has been one of the most decisive phenomena in the development of the world economy since the end of the 20th century. This process brings countries into an increasingly interdependent network through trade, investment, capital flows, technology, and information. In the context of developing countries, globalization is often seen as a double-edged sword: it opens up opportunities to accelerate economic development while presenting challenges in the form of dependency and inequality. Thus, understanding the dynamics of globalization in the framework of developing countries is important, especially in the contemporary era marked by digitalization, the climate crisis, and efforts to achieve the Sustainable Development Goals (SDGs). A number of studies confirm that globalization contributes to economic growth as well as gives rise to social inequality. Heimberger (2020) in their study on globalization and inequality in developing countries found that economic openness can increase growth opportunities, but its distribution is often uneven and widens the income gap between community groups.

This is in line with the study by Budiana (2023) which shows that although globalization is able to reduce inequality between countries in the long term, it also exacerbates the problem of internal inequality that has implications for social and political stability. The experience of developing countries in Asia, Africa, and Latin America shows that globalization presents a double challenge. On the one hand, global integration allows for increased foreign investment and industrial growth, as seen in Indonesia's digital economy projections that are expected to double (Masrom

et al., 2023). However, on the other hand, this process also results in an increasingly sharp polarization of income. Ozcan and Temiz (2022) in its comparative study emphasizes that economic growth due to globalization is not automatically followed by income equity, especially in developing countries with institutional weaknesses.

The socio-economic impact of globalization is also an important concern in contemporary literature. Zankovsky et al. (2021) highlight that economic globalization not only impacts growth, but also brings far-reaching social consequences, including the marginalization of vulnerable groups and changes in the structure of employment. This is reinforced by Van Niekerk (2020) who states that globalization has created a new form of "economic exclusion", where most people in developing countries cannot access the full benefits of global integration, thus giving rise to increasingly complex social injustices. In addition to economic and social impacts, globalization is also closely related to sustainability issues. Guzel et al. (2021) in a cross-country panel study found that income inequality caused by globalization has a direct effect on the achievement of sustainable development. In other words, globalization that is not balanced with equitable distribution policies can slow down the achievement of the SDGs.

This shows that the debate on globalization can no longer be separated from the sustainable development agenda, given that the world is now facing the challenges of climate change and limited natural resources. Thus, the study of globalization in the context of developing countries needs to be seen from various theoretical perspectives, ranging from modernization theories that are optimistic about globalization as a path to modernity, to dependency theories that see

globalization as a means of structural domination of developed countries. Furthermore, the new direction of globalization that emphasizes the green transition and the role of transnational actors provides an opportunity to develop a more interdisciplinary analytical framework. This research departs from this need, focusing on how globalization affects the economic development of developing countries, as well as its relevance in the context of sustainability.

## **2. Literature Review**

### **2.1. Globalization and Economic Transformation in Developing Countries**

Globalization has played a central role in shaping the dynamics of economic development in developing countries since the end of the 20th century until now. Global economic integration encourages market connectivity, foreign investment flows, and cross-border technology transfer. A number of recent studies confirm that globalization brings great opportunities in accelerating economic growth through the expansion of trade and foreign direct investment (FDI) (Wang et al., 2021). For example, countries in Southeast Asia experienced a significant surge in manufacturing exports triggered by global supply chain integration. In addition, digital-based globalization strengthens economic inclusion by opening up international markets through e-commerce, digital services, and technology platforms. Research by Leão et al. (2023) shows that digital transformation is accelerating the integration of developing countries into the global economic system, especially through technology-based MSMEs.

However, the literature also reminds that the benefits of globalization are not evenly distributed. Aiyar and Ebeke (2020) emphasized that despite GDP growth, the income gap between social groups is widening increasing. This phenomenon indicates a duality in the impact of globalization: on the one hand it encourages economic growth through open trade and investment, on the other hand it creates structural inequalities. Thus, the understanding of globalization in the context of developing countries cannot be separated from the complex dynamics between economic integration, equity, and domestic capacity to adapt.

## **2.2. Inequality, Dependency, and Criticism of Globalization**

Contemporary literature has highlighted the critical side of globalization in developing countries, especially related to structural dependencies and vulnerabilities. Referring to the theory of dependency and world systems, globalization often strengthens the dominance of developed countries in determining the direction of the global economy. Dewi (2019) assert that financial globalization creates conditions in which developing countries are increasingly tied to global economic policies controlled by Western institutions. Although the existence of global companies expands access to jobs, dependence on foreign capital deepens local inability to develop national industries.

A similar thing was found by Munir and Bukhari (2020) who emphasized that financial openness is vulnerable to triggering economic crises in developing countries due to global market volatility. In addition to the aspect of dependence, the issue of inequality is also in the spotlight. Developing countries often face a dilemma between pursuing economic growth through globalization or maintaining

domestic economic sovereignty. Critical literacy of globalization views this phenomenon as a form of "modern exploitation" in which more profits are enjoyed by the central state, while peripheral countries face structural losses. This reinforces the urgency of globalization research with a critical perspective that looks not only at economic aspects, but also political, social, and cultural dimensions.

### **2.3. Globalization, Sustainability, and New Directions of Development**

In the last decade, the globalization discourse has not only focused on economic growth, but also on sustainability. Global agendas such as the Sustainable Development Goals (SDGs) force developing countries to review development strategies in the era of globalization. Khan et al. (2021) found that trade openness can drive the green energy transition through access to environmentally friendly technologies. Similarly, Safi et al. (2023) highlight the concept of green globalization which emphasizes the importance of eco-friendly trade in reducing the carbon footprint of developing countries. In addition, transnational globalization highlights the role of non-state actors in sustainable development.

Rigolon and Gibson research (2021) shows that non-governmental organizations (NGOs), local community networks, and international institutions have a significant role in ensuring globalization not only generates growth, but also maintains social and environmental justice. Thus, the sustainability perspective opens up new horizons in understanding globalization as a multidimensional phenomenon. The study confirms that developing countries are at an important crossroads: they face not only the opportunities and risks of globalization, but also global demands to ensure sustainable development. Therefore, new directions of

research need to combine economic, social, and environmental perspectives to be more comprehensive in explaining the relevance of contemporary globalization.

### **3. Methods**

This study uses a qualitative approach with a literature study method to analyze the relevance of globalization to economic development in developing countries. The selection of a qualitative approach is based on research objectives that emphasize more on an in-depth understanding of the phenomenon of globalization and its impacts, rather than just quantitative measurements. Through this approach, researchers can explore the meanings, theoretical perspectives, and dynamics that develop in academic literature and international policy documents related to globalization and economic development. Thus, this method allows the research to construct a comprehensive analysis by integrating various viewpoints that are developing in contemporary academic discourse.

The research process begins with the stage of collecting data from relevant secondary sources. The main data comes from international journal articles published in the period last five years, which were obtained through academic databases such as Google Scholar and Elsevier. The last five-year time span was chosen to ensure that the literature used truly reflects the latest developments in globalization discourse, especially related to issues of sustainability, inequality, and digitalization dynamics in developing countries. In addition to journal articles, this study also utilizes official reports from international organizations such as the World Bank, the International Monetary Fund (IMF), and the United Nations

Development Programme (UNDP) to strengthen the empirical context through the latest statistical data on economic growth, inequality, trade, and other development indicators.

In the literature selection stage, the researcher applies clear inclusion criteria. The selected article must meet the requirements: (1) discuss globalization in relation to developing countries, (2) contain empirical and theoretical analysis related to economic, inequality, or sustainability aspects, and (3) be published between last five years. Articles that only mention globalization in general with no direct relevance to developing countries are excluded from the analysis. The selection process is carried out by reviewing titles, abstracts, and keywords to ensure the suitability of the topic. From the results of the selection, several articles were collected that were considered representative to be further analyzed according to the focus of the research.

The next stage is literature analysis with thematic analysis techniques. The selected articles were analyzed in depth to identify the main themes that emerged in the discourse of globalization and developing countries. Some of the key themes identified include: globalization opportunities in expanding trade and investment, challenges of dependency and inequality, and new directions of globalization that emphasize sustainability and green transition. Thematic analysis techniques allow researchers to organize diverse information from various sources into more structured conceptual categories, making it easier to draw systematic conclusions.

To increase the validity of the analysis, this study also uses source triangulation. Data from academic journal articles are compared with international organization reports as well as official statistical data to ensure that the findings are



not only theoretical, but also have a strong empirical foundation. In addition, the researcher applies a critical reading of the literature by examining the arguments, methodologies, and conclusions of each article, so as to identify limitations or biases that may arise. Thus, the results of the analysis are expected to be able to provide a more objective and balanced picture of the impact of globalization on the economic development of developing countries. This qualitative method based on literature studies allows research to delve deeper into the theoretical and empirical dimensions of globalization. Through this approach, the research not only presents academic understanding, but also practical relevance that can be used as a reference in the formulation of development policies in developing countries in the midst of the current current of contemporary globalization.

#### **4. Results**

The results of this study show that globalization has a complex and multidimensional influence on economic development in developing countries. From the analysis of the literature studied, it was found that there are three main dimensions that dominate the discourse, namely (1) economic opportunities through trade, investment, and technology transfer; (2) challenges in the form of dependence, inequality, and resource exploitation; and (3) a new direction of globalization that emphasizes digitalization, sustainability, and the role of transnational actors. These findings underscore that globalization is not a single phenomenon with a uniform impact, but rather a process that generates gains or losses depending on the domestic capacity and policy strategies of developing countries in responding to it.

The first dimension that stands out the most is the economic opportunities that result from global openness. Globalization has significantly expanded trade access for developing countries, allowing them to increase exports especially in the manufacturing and primary product sectors. A study by Wang et al. (2021) confirms that involvement in global value chains is able to drive sustainable economic growth on the condition that the country is able to build domestic capacity that supports productivity. In Southeast Asia, for example, Vietnam has succeeded in increasing the competitiveness of electronic exports through foreign direct investment (FDI) facilitated by regional economic integration. This shows that globalization can be a motor of economic development when combined with a national industrialization strategy. However, not all developing countries are able to take advantage of this opportunity optimally. Dependence on primary commodity exports still dominates, so the impact of globalization is more fragile to international price fluctuations (Gevorkyan, 2019).

In addition to trade, foreign investment flows are also an important instrument that globalization offers for developing countries. FDI allows for the transfer of capital, technology, and managerial expertise that can strengthen the capacity of local industries. Research by Aiyar and Ebeke (2020) found that FDI plays a central role in creating jobs and accelerating infrastructure development in several Asian countries. Nevertheless, there is a gap in the distribution of FDI benefits. Often, foreign investment is more concentrated in capital-intensive sectors that do not fully absorb local labor, thus creating a paradox between macroeconomic growth and improved people's welfare. This confirms that although globalization

opens the door to investment, the quality of domestic governance remains a determining factor in the successful use of these opportunities.

Digital globalization is a new dimension that has become increasingly dominant in the last decade. The development of information technology, e-commerce, and digital platforms has accelerated global economic integration, even for previously marginalized developing countries. Leão et al. (2023) underline that digitalization opens up opportunities for micro, small, and medium enterprises (MSMEs) to connect with international markets without having to go through conventional trade mechanisms full of bureaucratic obstacles. In Indonesia, for example, the expansion of e-commerce encourages local MSMEs to penetrate the global market, although they still face digital infrastructure and technology literacy constraints. This phenomenon shows that contemporary globalization no longer relies only on the trade of goods, but also on the exchange of digital-based services and technologies.

However, the second dimension of globalization presents serious challenges in the form of dependence, inequality, and resource exploitation. The study of Dewi (2019) highlights that globalization often strengthens the structure of developing countries' dependence on developed markets. This condition is in accordance with the perspective of dependency theory which sees globalization as an instrument of structural domination, where developed countries play the role of control centers and developing countries are placed as peripherals. This dependence is not only in terms of trade, but also in terms of fiscal and monetary policies that are often tied to the requirements of international institutions such as the IMF or the World Bank.

As a result, developing countries find it difficult to achieve full economic sovereignty because they have to adapt domestic policies to global pressures.

The problem of inequality is also one of the most documented consequences in the globalization literature. Munir and Bukhari (2020) show that financial openness triggered by globalization increases vulnerability to international market volatility. Developing countries are often victims of speculative capital flows in and out quickly, triggering macroeconomic instability. In addition, inequality between social groups is also increasing, as globalization tends to favor elite groups that have access to capital and international networks. On the contrary, poor groups are increasingly marginalized due to unbalanced global competition. This underscores that while globalization can create economic growth, it also has the potential to exacerbate social disparities in developing countries.

The exploitation of natural resources is another issue that arises from the flow of globalization. Many developing countries that rely on crude exports are experiencing environmental damage and resource degradation due to pressure to meet global demand. Gevorkyan (2019) emphasizes that dependence on exports not only causes economic vulnerability, but also sacrifices ecological sustainability. This phenomenon shows a paradox in globalization: developing countries gain short-term benefits through commodity exports, but must bear the social and environmental costs in the long run. The third dimension of the results of this study is the new direction of globalization that emphasizes sustainability, green transition, and the role of non-state actors. Khan et al. (2021) show that trade openness has the potential to support the adoption of renewable energy through the diffusion of green

technologies. This indicates that globalization can contribute to the sustainable development agenda if directed with the right policies.

Safi et al. (2023) even introduced the concept of green globalization which emphasizes the importance of green trade integration to reduce the carbon footprint of developing countries. This change in orientation is in line with the SDGs agenda which emphasizes a balance between economic growth, social inclusion, and ecological sustainability. In addition to sustainability, the role of transnational actors is also increasingly important in contemporary globalization. Rigolon and Gibson (2021) found that non-governmental organizations (NGOs), international institutions, and local communities have a significant contribution to reducing the negative impacts of globalization. For example, environmental NGOs play a role in pressuring multinational companies to implement sustainable production practices. Similarly, local community networks are able to strengthen people's adaptive capacity in the face of changes triggered by global integration. Thus, globalization is not only influenced by interactions between countries, but also by the dynamics of non-state actors with transnational interests.

Overall, the results of this study show that globalization presents great opportunities for the economic development of developing countries, but at the same time poses serious risks that can hinder the sustainability of development. Therefore, the success of developing countries in harnessing globalization depends heavily on their ability to balance integration into the global market with the protection of domestic interests. Countries that are able to develop institutional capacity, strategically manage foreign investment, and encourage digitalization and

sustainability have a great opportunity to reap the maximum benefits from globalization. In contrast, countries that fail to make structural adaptations tend to be trapped in a cycle of dependence, inequality, and vulnerability. These findings reinforce the relevance of globalization studies in contemporary contexts, especially in the context of sustainable development and the achievement of SDGs.

## **5. Discussion**

The results of this study confirm that globalization is a multidimensional phenomenon that brings opportunities and challenges to developing countries. From the perspective of modernization theory, globalization is seen as a path to modernity by opening access to international markets, foreign investment, and technology transfer. The latest literature does show that globalization can accelerate industrialization and economic growth when developing countries are able to take advantage of the integration of global markets strategically (Wang et al., 2021). Vietnam's case in strengthening the electronics industry shows that global integration supported by domestic policies can bring positive results. However, this perspective is often criticized for overemphasizing optimism without taking into account the negative structural impacts.

Rather, the theory of dependency and world systems provides a critical framework for understanding why many developing countries remain in peripheral positions despite having long participated in globalization. The study of Dewi (2019) shows that financial globalization does not necessarily increase economic independence, but rather strengthens the dominance of international institutions and

developed countries. This is in line with the findings of Munir and Bukhari (2020) which emphasize the vulnerability of financial openness to global market volatility. Thus, developing countries tend to be trapped in a cycle of structural dependency, where the benefits of globalization are not distributed equitably.

From the perspective of neoliberalism, globalization is seen as a consequence of the logic of the free market. This argument focuses on the economic efficiencies generated by open trade and investment. However, contemporary literature shows that the practice of neoliberalism often results in social inequality. Aiyar and Ebeke (2020) emphasized that despite an increase in GDP, the distribution of income remains uneven. This proves that neoliberalism's rhetoric about the trickle-down effect is not always achieved in the context of developing countries. Furthermore, the practice of neoliberalism often weakens the role of the state in regulating the domestic economy, thus opening up space for multinational corporations to increase their dominance.

Meanwhile, the theory of transnational globalization provides a new understanding of how non-state actors contribute to shaping the dynamics of globalization. Rigolon and Gibson findings (2021) show that NGOs and local communities play an important role in fighting for the sustainable development agenda in the midst of globalization. The presence of these transnational actors proves that globalization is no longer solely determined by interactions between countries, but also by cross-border social, environmental, and political networks. This perspective challenges traditional narratives that place the state as the main

actor, as well as opens up new research opportunities on the relationship between globalization, civil society, and local development.

In the context of sustainable development, the theory of sustainable development is becoming increasingly relevant to analyze contemporary globalization. Research by Safi et al. (2023) confirms that globalization can be directed towards a green transition through green trade and green technology transfer. This indicates a new direction in globalization that is not only oriented towards economic growth, but also on ecological sustainability. Thus, the latest literature places globalization within the framework of the SDGs that integrate economic, social, and environmental dimensions. This discussion also shows that there is a research gap. The majority of the literature still focuses on the economic dimension and dependency, while sustainability aspects and the role of transnational actors are relatively underexplored.

In addition, although there are many quantitative studies on the impact of globalization on economic growth, qualitative analysis of local experiences, community resistance, and domestic policy innovations is still limited. This suggests that future research needs to expand its focus not only on macroeconomic indicators, but also on the social, political, and environmental dynamics that shape the experience of globalization at the local level. Thus, this discussion confirms that globalization for developing countries is an ambivalent phenomenon: it can be a motor of growth as well as a source of vulnerability. The theories of modernization, dependence, neoliberalism, transnationalism, and sustainable development each provide a different lens for understanding such complexities. The findings of this



study contribute to the academic discourse by emphasizing the importance of interdisciplinary perspectives in analyzing globalization, as well as its relevance in formulating more inclusive and sustainable development strategies in the contemporary era.

## **6. Conclusion**

This research confirms that globalization is a phenomenon that brings both opportunities and challenges for developing countries. Globalization opens up broad access to trade, investment, and technology, and accelerates digitalization that drives global economic integration. In certain contexts, the involvement of developing countries in the global value chain can strengthen industrialization and boost economic growth. However, these benefits are not automatically felt by all parties, because the distribution is often uneven. On the other hand, globalization also poses risks in the form of dependence on developed countries, increasing social inequality, and exploitation of natural resources. This shows a paradox, where economic growth can go hand in hand with structural vulnerabilities and sustainability issues. Developing countries are often faced with a dilemma between opening themselves up to global markets or protecting domestic economic sovereignty.

Nonetheless, the new direction of globalization makes room for more sustainable development. The concept of green globalization and the role of transnational actors, such as civil society organizations and international institutions, show that globalization is not only limited to the economy, but also includes social

and environmental dimensions. The integration of a sustainability perspective into development policies is key for globalization to provide long-term benefits. The study concludes that the success of developing countries in the face of globalization depends on institutional capacity, the quality of domestic policies, and the ability to manage opportunities without being trapped in dependency. With the right strategy, globalization can be used as an instrument to encourage inclusive, equitable, and sustainable economic development, while reducing the risks arising from contemporary global dynamics.

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