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INTERNATIONAL TRADE RELATIONS, ECONOMIC OPENNESS, HUMAN CAPITAL AND ECONOMIC GROWTH OF APEC UPPER MIDDLE INCOME COUNTRIES: A SHARIAH ECONOMIC PERSPECTIVE

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Abstract: The main problems faced by Indonesia, Malaysia, and Thailand related to international trade, economic openness, and human capital and economic growth include dependence on exports of low-value-added commodities, shaping a global economy that affects trade volume, and limitations in attracting quality Foreign Direct Investment (FDI). In addition, the quality of human resources that is not optimal due to lack of investment in education and training hinders labor productivity, thus limiting the ability of these countries to take full advantage of economic openness to drive sustainable economic growth. This study aims to analyze the relationship between international trade relations, economic openness, human capital on the economic growth of APEC upper middle income countries, namely Indonesia, Malaysia and Thailand. The research methodology used in this study is quantitative with the nature of explanatory research. The data used are secondary data in the form of panel data with a period of 2014-2023 obtained from the World Bank. The analysis uses Eviews 10 software. The results of the study provide facts that imports and human capital have an effect on economic growth while exports and economic openness, namely Foreign Direct Investment (FDI) have no effect on the economic growth of Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand. In Islamic economics, international trade, economic openness, human capital, and economic growth are interrelated and must be implemented based on Islamic principles. The application of Islamic values in economic activities is expected to create a just, prosperous, and sustainable society, in accordance with the main objective of Islamic law to achieve the welfare of humanity.

Keywords: *International Trade, Economic Openness, Human Capital, Economic Growth, Shariah Economic*

1. Introduction

Economic growth is one of the main indicators in assessing the progress of a country and the welfare of its people. Basically, economic growth shows an increase in output or Gross Domestic Product (GDP) of a country over time. This reflects an increase in a country's production capacity as well as an increase in people's income and consumption. Among countries with middle to upper incomes, especially in the Asia Pacific region such as Indonesia, Malaysia, and Thailand which are members of APEC (Asia-Pacific Economic Cooperation), economic growth has an important role in achieving the lag from high-income countries (Hobbs, Paparas, & AboElsoud, 2021). For countries in the upper middle income category with per capita income between US$4,446 and US$13,845 in 2023, achieving sustainable economic growth is a strategic step to increase competitiveness, improve people's welfare, and reduce social and economic

welfare. In an era of increasingly complex and interconnected globalization, regional economic cooperation such as APEC is an important platform that offers various benefits to its member countries, including Indonesia, Malaysia, and Thailand. Through membership in APEC, these three countries can expand their market access to the wider Asia-Pacific region, improve the competitiveness of local products, and gain opportunities to attract more foreign investment. APEC not only focuses on eliminating trade barriers, but also on increasing efficiency and productivity through economic integration (Ji, Dong, Zheng, & Bu, 2022).

Economic growth in APEC countries with upper middle income category, such as Indonesia, Malaysia, and Thailand, is highly influenced by several key factors, namely international trade, economic openness, and quality of human resources. These third countries have the characteristics of open economies and depend on international trade, which serves as the main driver of their growth. International trade allows third countries to expand the market for their export products, which mostly consist of commodities and value-added manufacturing products. Indonesia, for example, utilizes its natural resource wealth, especially coal and palm oil, as the main export commodities (Aliedan, 2021). Meanwhile, Malaysia and Thailand focus more on manufacturing exports, with Malaysia excelling in electronics and palm oil products, and Thailand in automotive and electronics. However, dependence on international trade also means that these third countries are vulnerable to volatility in global commodity prices and changes in economic policies from major trading partners such as the United States, China, and the European Union. This volatility creates challenges in maintaining stable economic growth, especially when there are drastic changes in global demand or increases in tariffs and trade barriers (Nepal, Phoumin, & Khatri, 2021).

In addition to international trade, economic openness also plays an important role in driving economic growth in the three countries. Economic openness, manifested through policies that support foreign direct investment (FDI) inflows and participation in free trade agreements, provides significant benefits for economic growth through technology transfer, job creation, and increased competitiveness of domestic products. In Indonesia, economic openness allows for investment in strategic sectors such as infrastructure, energy, and manufacturing, which also support industrialization efforts. Malaysia and Thailand, which are increasingly mature in industrial infrastructure and international supply chain linkages, also benefit similarly. However, economic openness also requires these countries to be able to compete globally. Increasing competition from other developing countries with lower labor costs and aggressive pro-investment policies, such as Vietnam and the Philippines, creates pressure for Indonesia, Malaysia, and Thailand to continue to improve the investment climate, strengthen regulations, and provide quality infrastructure (Pavlović et al., 2021). Human capital or the quality of human resources is another fundamental factor that determines the capacity of these three countries to take advantage of international trade opportunities and economic openness. Although Indonesia, Malaysia, and Thailand have seen improvements in access to education and health, challenges related to the quality of human resources remain significant. These three countries face the need to upgrade the skills of their workforce to meet the demands of a global market that is increasingly focused on technology and innovation. Low skill levels in the high-tech sector and a shortage of a workforce ready for digital transformation hamper efforts to shift to a knowledge-based economy. In addition, disparities in access to education and between urban and rural training create productivity disparities that impact overall economic growth. Therefore, reforming the quality of human resources through education, vocational training, and policies that encourage innovation and skills development are essential to strengthen global competitiveness (Gruzina, Firsova, & Strielkowski, 2021).

Economic growth in APEC countries in the upper middle income category, such as Indonesia, Malaysia, and Thailand, faces a number of problems that hinder the positive impacts of international trade, economic openness, and human resources. Although these three countries have reached the upper middle economic level, problems in utilizing the potential of international trade reduce the effectiveness of their economic growth. Dependence on primary commodities for exports, such as coal and palm oil in Indonesia or electronics and automotive in Malaysia and Thailand, makes the economies of these third countries very vulnerable to fluctuations in global prices and demand. When commodity prices fall or there is a decrease in demand from major trading partner countries, the domestic economy feels a significant negative impact. Moreover, these countries face obstacles in diversifying their exports into value-added products that are more resistant to global volatility. This chaos causes third countries to be unable to optimally utilize international trade as a major driver of sustainable growth (Arifah & Kim, 2022). On the other hand, economic openness, although important in attracting foreign direct investment (FDI) and accessing new technologies, also poses challenges for Indonesia, Malaysia, and Thailand. Economic openness that is not accompanied by increased competitiveness of domestic industries causes the inflow of FDI to not effectively increase productivity or create quality jobs. Many foreign investments tend to focus on sectors with low added value or only position these third countries as part of the global supply chain without having a significant impact on the domestic economy. In addition, intense competition with other developing countries, such as Vietnam and the Philippines, which offer lower-cost labor and aggressive pro-investment policies, covers the positions of these three countries in attracting quality FDI. As a result, economic openness is unable to provide a significant impact on inclusive and sustainable economic growth (Ahmad et al., 2022).

Human capital or the quality of human resources is also a major problem in the economic growth of these three countries. Although Indonesia, Malaysia, and Thailand have made progress in terms of access to education and health, the quality of their human resources is still not enough to support the development of high-tech industries or knowledge-based economies. The low skill level of the workforce, especially in the fields of technology and innovation, hampers the capacity of these three countries to develop high-value sectors (Intisar, Yaseen, Kousar, Usman, & Amjad Makhdum, 2020). This also leads to a heavy dependence on foreign labor in certain sectors and lowers overall productivity. The uneven quality of education and access to training between urban areas and poor rural situations, creates disparities in productivity that negatively impact potential economic growth (Lin et al., 2021).

The urgency of researching international trade relations, economic openness, and human capital and economic growth in APEC countries with upper middle income categories, such as Indonesia, Malaysia, and Thailand, is based on several important aspects that urgently need to be investigated. This is related to changes in global dynamics that have consequences for the development strategies and economic growth of developing countries that are integrated into the international economic system. In recent decades, APEC countries, including Indonesia, Malaysia, and Thailand, have sought to increase their involvement in international trade and economic openness as the main pillars of economic growth (Mustafin, Kotenkova, Kravčáková Vozárová, & Kotulič, 2022). This is driven by the assumption that openness to global markets can accelerate the flow of capital, goods and services, which in turn will contribute to economic growth. However, the recent global economic crisis and international trade tensions remind us of the risks of over-reliance on global markets and the importance of understanding the specific impacts of trade and economic openness on domestic economies. International trade and economic openness provide greater opportunities for APEC countries to improve

competitiveness through market integration. However, various studies indicate that these positive impacts do not necessarily occur in all countries, especially in middle-income countries that do not yet have strong economic fundamentals (Mohamed, Liu, & Nie, 2021). Therefore, this study is urgently needed to be conducted in order to comprehensively examine how international trade and economic openness affect the economic growth of APEC countries with similar characteristics, and to explore key elements that may be the determining factors for the success or failure of economic openness in increasing economic growth. Quality human resources or human capital are important factors in supporting sustainable economic growth, especially in the context of developing countries. Indonesia, Malaysia, and Thailand face the challenge of improving the quality of human resources in order to compete in the global market. Strong human capital not only strengthens domestic production capabilities but also increases adaptability to changes in the global economy (Gulzar et al., 2024).

Economic growth in the perspective of Islamic economics has unique characteristics that are different from the perspective of conventional economics, because it is based on the principles of ethics, justice, and social welfare that are derived from Islamic teachings. Islamic economics views economic growth as not solely oriented towards increasing the amount or value of production, but also on improving the quality of life and welfare of society as a whole. This focuses on a more comprehensive concept of economic growth, not only covering material aspects but also spiritual, moral, and social aspects. In Islamic economics, economic growth must be in line with the basic principles of sharia, namely justice (al-'adl), balance (al-mizan), responsible freedom (ikhtiyar), and solidarity (al-takaful) (Alam, Ratnasari, Habibi, & Athief, 2022). Healthy economic growth according to the sharia perspective is that which can bring benefits to the people and avoid damage or madharat (danger). The goal is to create a condition of shared prosperity known as the concept of falah, which includes happiness in the world and the hereafter. In the Hadith narrated by Muslim it is explained that "It is not permissible to hoard goods, otherwise, he is included among the sinners" (HR. Muslim, No. 1605) where this Hadith prohibits hoarding wealth with the aim of raising prices and obtaining excessive profits in an unfair manner. Economic growth in the sharia perspective does not only focus on increasing economic value, but also pays attention to justice in economic activities. An economy that grows in an unfair manner, such as monopoly practices or hoarding, is not recognized in sharia economics (Revelation, Syarif, & Yani, 2024).

Previous research has been done a lot, however, the existing literature review shows a number of studies that still need to be explored further. This research gap relates to the specific context of upper-middle-income APEC countries that are experiencing economic dynamics, globalization challenges, and the need to improve human competitiveness. Most of the literature on international trade and its impact on economic growth tends to focus on developed countries or countries with developing economies without distinguishing the specific characteristics of upper-middle-income countries. Indonesia, Malaysia, and Thailand as APEC countries with upper-middle income levels have unique characteristics because they are in transition to a higher economic level (Panta, Devkota, & Banjade, 2022). This raises the need for research that considers the specific elements that influence how international trade impacts the economic growth of these countries. There is little research that comprehensively examines how upper-middle-income APEC countries such as Indonesia, Malaysia, and Thailand can maximize the benefits of international trade amidst global competitive pressures. Many general studies on international trade fail to consider the need to reduce income inequality and enhance the competitiveness of local industries in these countries. In-depth and contextual research is needed to address this challenge. Most studies on economic openness focus only on economic benefits

without deeply analyzing the long-term strength of dependence on global markets and foreign investment. There is little research that explores how upper-middle-income APEC countries can adopt a model of economic openness that maintains their domestic economic independence (Ji et al., 2022; Sterpu, Rocșoreanu, Soava, & Mehedintu, 2023). Studies are needed that examine the mechanisms or strategies of economic openness that allow these countries to benefit from global markets while minimizing dependency and maintaining domestic economic stability. Much previous research has focused on the impact of basic education and training on productivity, but few studies have examined the contribution of more advanced levels of human capital, such as innovation, research and development (R&D), and technological adaptability to economic growth. Further research is needed to understand how investment in higher human capital development can support sustainable economic growth in these upper-middle-income APEC countries. Thus, new studies can help design policies that encourage the development of relevant human capital capacities to address global economic challenges (Tafirenyika Sunde, Blessing Tafirenyika, 2023).

The novelty of this research is an important element in contributing new and relevant knowledge. In this context, the novelty of the research involves a new approach, model, or perspective that has not been explored in previous research. This research offers a new perspective by analyzing how these three main factors interact and influence economic growth together. This integrative analysis will provide a more complete understanding of the optimal way to achieve sustainable economic growth in Indonesia, Malaysia, and Thailand. This approach also allows for the formulation of more integrated and effective economic policies, taking into account the synergistic impact of these three factors (Usman, Ozdeser, Çavuşoğlu, & Aliyu, 2022). By focusing on APEC upper middle income countries, this study fills a gap in the literature on the specific needs and challenges of these countries amidst the global landscape and dynamics of international trade. This study can provide new insights into how countries in this category can navigate the challenges of globalization and strengthen their position in the international market, as well as better leverage economic openness. This study offers innovation by developing a more relevant and contextual impact measurement model for Indonesia, Malaysia, and Thailand. This model will take into account structural and institutional factors that influence economic growth, as well as relevant socio-economic variables (Nguyen, 2022). With this approach, the results of the study are expected to provide a more accurate picture of the influence of the third factor on economic growth in upper-middle-income countries in the context of APEC. This study provides a new empirical contribution by simultaneously examining the interaction between international trade, economic openness, and human capital in upper-middle-income APEC countries. Therefore, this study not only presents relevant empirical data, but also provides in-depth insights into the dynamics of the third factor in creating sustainable economic growth. This empirical analysis is expected to produce new empirical evidence that is useful for formulating more effective policies in these countries (Ziberi, Rexha, Ibraimi, & Avdiaj, 2022).

This study aims to examine the relationship between international trade, economic openness, and human capital on the economic growth of upper middle income APEC countries, namely Indonesia, Malaysia, and Thailand. Theoretically, this study deepens the understanding of how international trade affects growth in upper middle income countries such as Indonesia, Malaysia, and Thailand. By conveying that international trade allows these countries to export superior goods and services and import technology and knowledge from developed countries. Modern economic theory often emphasizes economic openness as an important factor for economic growth, especially through the endogenous growth model. Therefore, this study strengthens and

develops the understanding of how integration into the global economy through economic openness can drive overall economic growth. This study broadens the understanding of the relationship between improving the quality of education and public health with labor productivity and economic output. By examining the contribution of human resources to economic growth, this study emphasizes the importance of investment in education and skills training as one strategy to improve a country's competitiveness. Overall, this study strengthens the theoretical basis that international trade, economic openness, and human capital are key factors in influencing economic growth. This provides a basis for building more complex and dynamic models that reflect the causal relationships between these variables in the context of an evolving global economy.

In practical terms, this study can help governments and policymakers formulate better trade strategies to support economic growth. By understanding how international trade and economic openness can increase productivity, governments can design policies that encourage exports and reduce tariff and non-tariff barriers. In addition, policies that invite foreign investment can be concentrated on sectors that provide maximum impact on the local economy, especially those that can bring technology and expertise transfer. The findings of this study on the importance of human resources for economic growth can be the basis for designing more effective investment policies in education and health. By showing the relationship between education quality and labor productivity, this study encourages governments to increase budget allocations in the education sector and job training programs. Furthermore, education and job training institutions can respond by updating relevant curricula to produce graduates who are ready to contribute to sectors that require high skills. For industry players, the results of this study serve as guidelines for designing more competitive business strategies in the international market. By understanding the benefits of economic openness and international trade, companies can increase their focus on operational efficiency and adopt appropriate technologies to increase productivity. This study also highlights the importance of human capital as a company's main asset, so that companies can consider greater investment in human resource development and training to match market needs.

2. Literature Review

Theory of Comparative Advantage

The theory of comparative advantage was put forward by David Ricardo in his book "On the Principles of Political Economy and Taxation" in 1817 stating that international trade will benefit all countries involved if each country leads itself in the production of goods or services in which they have a comparative advantage, namely the ability to produce at a lower opportunity cost than other countries. Ricardo argued that even if a country is more efficient in producing all goods (absolute advantage), there are still benefits from specialization and trade because of differences in relative costs (Davis & Dingel, 2020). The theory of comparative advantage provides a theoretical basis for the analysis of the effects of international trade on economic growth. In the context of this study, this theory supports the argument that involvement in international trade allows countries to take advantage of specialization, which can increase efficiency and productivity. With access to global markets, countries can optimize domestic resources, reduce production costs, and increase economic output. This has implications for increasing Gross Domestic Product (GDP) and, in the long run, economic growth (Chang & Chen, 2021).

Endogenous Growth Theory

Endogenous growth theory was developed in the 1980s by economists such as Paul Romer and Robert Lucas in response to the limitations of the neoclassical growth theory developed by Robert Solow in 1956. Endogenous growth theory emphasizes that long-term economic growth is primarily determined by factors internal to the economy, such as technological innovation and increases in human capital, rather than just the accumulation of physical capital as in neoclassical growth theory. Paul Romer argued that investment in research and development (R&D) and technological innovation can significantly increase productivity, while Robert Lucas emphasized the importance of investment in human capital, namely education and skills of the workforce, which have a direct impact on productivity and economic growth (De Visscher, Eberhardt, & Everaert, 2020). This theory is very relevant in this study because it supports the argument that investment in human resources and technological innovation, which is often promoted through economic openness, will have a positive impact on economic growth. In this context, human capital becomes one of the key components that contribute to the ability of an economy to adapt to global technological changes and innovate, which ultimately increases international competitiveness and supports sustainable economic growth (Gori & Sodini, 2020).

Modernization Theory

Modernization theory was introduced by Walt Rostow in his book "The Stages of Economic Growth: A Non-Communist Manifesto" in 1960. Modernization theory is an approach to economic development that assumes that developing countries can achieve levels of economic progress equivalent to developed countries through a process of modernization that includes investment in industry, technology, and openness to international trade. Rostow divided the process of economic development into five stages: the traditional stage, the early take-off stage, take-off, maturity, and mass consumption. This theory implies that economic openness and international trade are catalysts for achieving progress from one stage to the next (Weber & Weber, 2020). In the context of this study, modernization theory contributes to the understanding that economic openness and international trade can serve as a major driver for economic transformation and accelerated growth. Economic openness allows developing countries to access investment, technology, and capital from developed countries, which accelerates their development process. This theory emphasizes that involvement in the global economy can help developing countries achieve higher growth rates, enabling them to transform from traditional agrarian or industrial economies to modern and advanced economies (Fritzsche & Vogler, 2020).

Economic growth

Economic growth is generally defined as an increase in a country's capacity to produce goods and services over a given period of time. The main indicator of economic growth is Gross Domestic Product (GDP), which shows the total value of goods and services produced in a country's economy during a given period, usually a year. In a broader context, economic growth reflects an increase in the capacity of an economy to provide a higher standard of living for its population, create jobs, and improve the welfare of society (Normasyhuri, Ahmad, & Erike, 2021). Economic growth can be achieved through various mechanisms, such as increasing investment in physical capital and human resources, implementing new technologies, and expanding market access through international trade. Overall, sustainable economic growth is a major economic policy goal for countries in the world, because of its significant impact on social welfare. Healthy economic growth is growth that not only increases output, but is also evenly distributed to all levels of society and takes place within limits that do not damage the environment (Normasyhuri, 2022). The Asia-Pacific Economic Cooperation (APEC) member countries in the upper middle income category have unique characteristics in achieving economic

growth. Countries such as Indonesia, Malaysia, and Thailand, which fall into this category, have experienced diverse growth dynamics but share some common patterns, especially in their efforts to take advantage of the opportunities of globalization and international trade. These countries have experienced relatively stable economic growth in recent decades, despite structural challenges and a weakening global economy (Aba, 2021). The phenomenon of economic growth in APEC upper middle-income countries, such as Indonesia, Malaysia, and Thailand, shows that these third countries have successfully utilized integration with the global economy to drive their economic growth. However, each country has different challenges in achieving sustainable growth. Indonesia faces challenges in terms of economic diversification and independence in commodities, Malaysia focuses on increasing innovation to face global competition, and Thailand is trying to develop new economic sectors through the Thailand 4.0 initiative (Suriyankietkaew & Nimsai, 2021).

International Trade

International trade is the activity of selling goods and services carried out by residents or companies from one country to another. International trade is an economic activity in countries that can move themselves in the production of goods they produce with lower cost opportunities than other countries. Through international trade, a country can obtain goods that cannot be produced domestically or that are more efficiently produced in other countries. This trade activity allows countries to meet diverse needs and improve the welfare of society through access to cheaper, higher quality goods and innovations produced in other countries (Khavid, 2019). In addition, international trade also plays an important role in strengthening economic relations and friendship between countries. International trade occurs because of differences in a country's ability to produce certain goods more efficiently than other countries. International trade provides an opportunity for countries to import goods that are more expensive to produce domestically and export goods that can be produced more cheaply. Through trade, countries can access wider markets and obtain foreign investment that is important for domestic economic development. The success of international trade is greatly influenced by trade agreements that include tariff elimination, quality standard setting, and intellectual property rights protection. International organizations such as the World Trade Organization (WTO) and various regional free trade agreements serve to create a more open and transparent trading environment. In the era of globalization, international trade not only has an impact on increasing a country's Gross Domestic Product (GDP) (Normasyhuri, Habibi, & Anggraeni, 2022). Upper-middle-income countries in the Asia-Pacific Economic Cooperation (APEC) region such as Indonesia, Malaysia, and Thailand play an important role in the dynamics of international trade in Southeast Asia. These countries have experienced significant developments in international trade, which has become one of the main pillars of their economic growth. Indonesia is one of the largest economies in Southeast Asia and has played an important role in international trade in the region. Indonesia's main exports include commodities such as palm oil, coal, natural gas, and other agricultural products. Due to its wealth of natural resources, Indonesia's economy is highly dependent on commodity exports, making it vulnerable to global price fluctuations. In recent years, Indonesia has sought to diversify its exports by developing its manufacturing sector, especially textiles, footwear, and electronics. Malaysia has a relatively advanced and diversified economy, with both manufacturing and services sectors contributing significantly to the country's GDP and international trade (Alleyne, Zhang, & Mu, 2020). Malaysia's exports are highly diverse, including electronics, palm oil, oil and gas, and other manufactured products. As one of the world's largest electronics exporters, Malaysia is highly integrated into the global supply chain, particularly in the high-tech and automotive sectors. Thailand is one of the most

open countries in the region to international trade, with key sectors including automotive, electronics and agricultural products. Thailand is known as one of the largest automotive manufacturing hubs in Southeast Asia, with many global car brands having significant production facilities in the country. Automotive and electronics exports play a key role in Thailand's economy, making it vulnerable to fluctuations in global demand. In addition, agricultural products such as rice and rubber are also important components of Thailand's exports (Ruan, Yu, Wang, Zhao, & Liu, 2023).

Economic Openness

Economic openness is generally defined as the extent to which a country interacts with the global economy through international trade, investment, and capital flows. An open economy allows goods, services, capital, technology, and labor to move freely across borders, without excessive barriers from tariffs, quotas, or other trade restrictions. Economic openness encourages access to global markets, where countries can export products in which they have a comparative advantage and import products that are difficult to produce efficiently domestically. In this regard, economic openness is considered a key driver for expanding markets, increasing economies of scale, and driving economic growth by allowing firms to innovate and compete on a wider scale (Gochero & Boopen, 2020). Furthermore, economic openness also plays an important role in the flow of foreign direct investment (FDI) and technology, which can increase domestic productivity and competitiveness. Foreign Direct Investment (FDI) is a form of investment in which foreign entities, either individuals or companies, invest their capital in productive assets in another country with the aim of controlling or managing the business directly. With the opening of a country's economy, multinational companies are more likely to invest in production and technology transfer, which accelerates the improvement of the quality of domestic human capital and infrastructure. An open economy also allows for increased efficiency through international competition that encourages local companies to adopt global best practices. In addition, economic openness increases the diversification of sources of growth and reduces the risks caused by dependence on one sector or domestic market. However, economic openness can bring challenges, such as increased dependence on global conditions and the possibility of economic inequality. Therefore, policies that encourage economic openness need to be balanced with social protection policies and strategic diversification so that the benefits of openness can be felt widely and sustainably (Acquah & Ibrahim, 2020). Upper-middle-income countries in the Asia-Pacific Economic Cooperation (APEC) region, such as Indonesia, Malaysia, and Thailand, have long used economic openness, particularly through foreign direct investment (FDI), as one of the main strategies to enhance their economic growth and competitiveness in the global market. FDI enables these countries to attract foreign capital that not only helps address domestic capital shortages, but also brings technology transfer, improved workforce skills, and access to international markets. Openness to FDI has become a critical element in the economic development of these countries, as it helps them to accelerate industrialization and improve the quality of strategic sectors such as manufacturing, technology, and tourism (Okwu, 2020). In Indonesia, for example, FDI plays a significant role in sectors such as energy, manufacturing, and infrastructure. The Indonesian government has issued several regulations to increase the attractiveness for foreign investors, including providing tax incentives and facilitating the licensing process. FDI in Indonesia not only drives economic growth but also contributes to job creation and improving the skills of the domestic workforce. Meanwhile, Malaysia has effectively utilized FDI to become one of the manufacturing and logistics hubs in the Southeast Asian region. With its foreign investor-friendly policies and adequate infrastructure, Malaysia has succeeded in attracting FDI in the electronics, automotive, and high-

tech industries, strengthening the country's position in the global supply chain. Thailand, on the other hand, has also benefited from FDI, especially in the automotive and tourism sectors, which are important pillars of the country's economy (Tanaya & Suyanto, 2022).

Human Capital

Human capital is an economic concept that refers to the value and productive capacity of the skills, knowledge, experience, health, and competencies possessed by individuals in a population. From an economic perspective, human capital is considered an asset that can increase the productivity and innovative capacity of an economy. Human capital is an important element that drives long-term economic growth, because through investment in education, training, and health, the workforce can become more effective, creative, and able to adapt to technological changes and challenges in the global market. Unlike physical capital such as machinery or equipment, human capital is intangible capital that is attached to individuals, and its quality improvement requires labor (Aslam, 2020). Human capital is not just a tool to increase economic output, but also an aspect that strengthens human capabilities in realizing their potential and participating fully in society. Human capital does not only include technical skills and education, but also includes rights, health, and freedoms that provide opportunities for individuals to develop holistically. Human resources not only play a role in increasing labor productivity directly, but also play an important role in the creation of innovation and new technologies. In the context of globalization, human capital also determines the competitiveness of a country, because the quality of skilled and highly educated workers allows countries to participate in global value chains more competitively. Human capital is not only beneficial for macroeconomic growth but also for social welfare, because a qualified workforce has a greater opportunity to earn higher incomes and improve living standards (Eny Lestari Widarni, 2021).

The human capital phenomenon in Asia-Pacific Economic Cooperation (APEC) countries in the upper middle income category, such as Indonesia, Malaysia, and Thailand, shows how investment in skills, education, and health plays a central role in driving economic growth and increasing global competitiveness. These countries recognize that quality human resources are the foundation for innovation, productivity, and long-term economic aspirations. Thus, the governments in these three countries continue to strive to strengthen human capital through education reform, increasing access to health, and skills training that is relevant to the needs of the global industry. In Indonesia, the human capital development phenomenon is manifested through various initiatives to improve the quality of education and health. The Indonesian government has increased the budget for education and prioritized vocational training programs, especially in the fields of technology and creative industries, through the Making Indonesia 4.0 program (Han & Lee, 2020). This program aims to create a skilled and adaptive workforce to technological developments. Malaysia, as a country with a high level of industrialization, has a more structured approach to improving human capital. The Malaysian government has invested heavily in higher education and skills training, especially in areas such as information technology, manufacturing, and applied sciences. Through the New Economic Model program and higher education initiatives, Malaysia seeks to create a competitive, innovative, and knowledge-oriented workforce. Thailand, known for its strong manufacturing and tourism sectors, has also shown efforts in building human capital through education and health. The Thailand 4.0 program is a government initiative to transform the traditional industrial-based economy into an innovation and technology-based economy (Vicious, 2021).

3. Research Method

This study uses a quantitative approach with an explanatory research nature to explain the relationship between international trade, economic openness, and human capital on economic growth in APEC upper middle-income countries, namely Indonesia, Malaysia, and Thailand. This study aims to analyze the relationship between independent variables, namely exports (X1), imports (X2), economic openness (X3), and human capital (X4) on the dependent variable, namely economic growth (Y) (Sugiyono, 2019). Explanatory research was chosen because this type of research allows researchers to identify and explain the causes and effects and the level of influence of each independent variable on economic growth. This study uses secondary data in the form of panel data, namely a combination of cross-section data (Indonesia, Malaysia, and Thailand) and time series for the period 2014–2023, obtained from a trusted source, namely the World Bank. To ensure that the data used is relevant and covers all variables studied, the data collected includes information on GDP, export and import volumes, economic openness, and human resource indicators.

Table 1 Operational Variables

No.	Variables	Indicator	Source
1.	International Trade	Export and Import	World Bank
2.	Economic Openness	FDI (Foreign Direct Investment)	World Bank
3.	*Human Capital*	Labor Force Participation Rate, Total	World Bank
4.	Economic growth	*Gross Domestic Product*(GDP)	World Bank

Data processing was carried out using Eviews 10 statistical software, which is capable of performing comprehensive panel data analysis. The analysis was carried out through several stages to test the suitability of the model and meet the statistical requirements in multiple linear regression analysis based on the Ordinary Least Square (OLS) method. The initial step in this analysis involves selecting the right research model by conducting the Chow test, Hausman test, and Langrange Multiplier (LM) test, in order to choose between the Common Effect Model (CEM), Fixed Effect Model (FEM), or Random Effect Model (REM) (Retno Tri Vulandari, 2021). After the model is selected, a classical assumption test is carried out which includes a normality test, a multicollinearity test, and a heteroscedasticity test to ensure that the model used meets the statistical assumptions required in linear multiple regression. Furthermore, a hypothesis test is carried out to test the significance of the independent variables both partially (t-test) and simultaneously (F-test). The determination coefficient test (R^2) is also carried out to determine the extent to which variations in the independent variables can explain variations in the dependent variable, namely economic growth (Prihadyatama, 2024).

4. Results and Discussion

Table 2 Normality Test Results

Jarque-Bera	Probability
2.236203	0.326900

Source: Data Processing Results, (2024)

The normality test is used to test whether the data in the study are normally distributed. Normal distribution of data is an important assumption in statistical analysis, especially in the multiple linear regression method based on Ordinary Least Square (OLS). If the data meets the normality assumption, the results of the model parameter estimation will be more valid and can be interpreted accurately. The normality test helps ensure that the analysis results are not biased and

remain reliable when applied to a wider population. Based on the results of the normality test in this study, the Jarque-Bera probability value was obtained as 0.326900. Because this probability value is greater than the alpha significance level of 0.05 (0.326900> 0.05), it can be concluded that the data in this study are normally distributed. This normality test is important in ensuring that the data meets the normal distribution assumption, which is one of the requirements in multiple linear regression analysis based on the Ordinary Least Square (OLS) method. With normally distributed data, the results of the regression estimation can be interpreted more accurately and reliably, so that the analysis of the relationship between international trade, economic openness, human capital, and economic growth in the upper middle income APEC countries of Indonesia, Malaysia, and Thailand can be carried out more precisely.

Table 3 Multicollinearity Test Results

Variables	Coefficient Variance	Uncentered VIF	Centered VIF
C	295.4092	42791.27	NA
LOG(EXPORT)	1.636461	3504.530	7.555164
LOG(IMPORT)	1.816821	3706.675	7.444772
LOG(ECONOMIC_OPENNESS)	0.026756	2.840945	1.150174
LOG(HUMAN_CAPITAL)	16.86070	43284.56	1.096635

Source: Data Processing Results, (2024)

Multicollinearity test is used to detect the presence of a strong linear relationship between independent variables in a regression model. In multiple linear regression analysis, multicollinearity occurs when two or more independent variables have a very high correlation, making it difficult to separate the effects of each variable on the dependent variable. Multicollinearity can cause the estimated parameters to become unstable and the analysis results to be inaccurate, because the individual contribution of each independent variable is difficult to identify clearly. Based on the results of the multicollinearity test in this study, the Variance Inflation Factor (VIF) values are centered for each independent variable, namely exports (X1), imports (X2), economic openness (X3), and human capital (X4), all of which are more than 1.0, but are still at a level that is considered safe for the assumption of being free from multicollinearity. In particular, the export and import variables show VIFs of 7.555 and 7.445, which although higher than other variables, are still below the general threshold of 10. This indicates that there is no excessive high correlation between the independent variables that can disrupt the stability of the regression model and reduce the accurate interpretation of the contribution of each variable to the dependent variable, namely economic growth. By passing the multicollinearity test, this model can be considered to meet one of the basic assumptions in multiple linear regression analysis, namely the assumption of independence of independent variables. This result allows researchers to continue the analysis without worrying that the strong linear relationship between the independent variables will cause the estimated parameters to be biased or unstable. Therefore, the results of this test strengthen the validity analysis that will be carried out regarding the relationship between international trade, economic openness, and human capital on economic growth in APEC upper middle income countries such as Indonesia, Malaysia, and Thailand.

Table. 4 Heteroscedasticity Test Results

Variables	Coefficient	Std Error	t-Stat	Prob
C	17.01928	75.16260	0.226433	0.8237
Export	-20.3.630	12.95054	-1,569,532	0.1361
Import	-19.65799	13.69851	-1,435,046	0.1705
Economic Openness	-0.050308	0.188367	-0.267072	0.7928
Human Capital	-0.520191	4.151306	-0.125308	0.9018

Source: Data Processing Results, (2024)

The heteroscedasticity test is used to detect whether the variance of the residuals or errors in the regression model remains constant (homoscedasticity) or varies (heteroscedasticity) across the values of the independent variables. In an ideal linear regression model, the residual variance should be uniform or constant. However, when the residual variance changes or increases as the independent variables change, heteroscedasticity occurs. This condition can cause the estimation results to be inefficient and the statistical test to be invalid or biased. Based on the results of the heteroscedasticity test in this study, each independent variable, namely exports (X1), imports (X2), economic openness (X3), and human capital (X4), has a probability value greater than the alpha significance level of 0.05. This shows that the probability value for each export variable (0.1361), imports (0.1705), economic openness (0.7928), and human capital (0.9018) - all greater than 0.05. Thus, it can be concluded that the regression model used in this study does not contain symptoms of heteroscedasticity. These results indicate that the variance of the residual or model error is constant across all values of the independent variables, thus meeting the homoscedasticity assumption required in multiple linear regression. The freedom of the model from heteroscedasticity symptoms indicates that the results of the regression estimation can be interpreted more reliably, because heteroscedasticity which can cause bias in the model estimation parameters does not occur in this study. In other words, the regression model can provide more efficient and valid results in identifying the effects of international trade, economic openness, and human capital on economic growth in upper-middle-income APEC countries, such as Indonesia, Malaysia, and Thailand. These test results strengthen the regression analysis and increase confidence that the relationships found between these variables reflect the actual relationships between the economic factors studied.

Table 5 Chow Test Results

Effects Test	Statistics	df	Prob.
Cross-section F	4,313,855	(-2.23)	0.0257
Cross-section Chi-square	9,556,183	2	0.0084

Source: Data Processing Results, (2024)

The results of the Chow Test are used to determine which regression model is most appropriate for the panel data in the study: whether the Common Effect Model (CEM) or the Fixed Effect Model (FEM). The Chow test compares the two models by looking at whether there are significant differences in the observed variables across individuals or groups (e.g., countries or companies) in the panel data. If the results of the Chow test show a probability value that is smaller than the significance level (e.g., 0.05), then the Fixed Effect Model (FEM) is more appropriate because there are significant differences between individuals or groups, indicating that specific factors per group affect the dependency of the variable. Based on the results of the Chow test in this study, the Cross-section Chi-square probability value was obtained as 0.0084,

which is smaller than the significance level of 0.05. This probability value indicates that there are significant differences between groups (cross-sections) in the panel data used, namely between the upper middle-income APEC countries of Indonesia, Malaysia, and Thailand. Thus, the results of this test indicate that the most appropriate model for this study is the Fixed Effect Model (FEM). This model is considered appropriate because it takes into account the specific differences that may exist between the three countries, which may affect the relationship between the independent variables (international trade, economic openness, and human capital) and the dependent variable (economic growth).

Table. 6 Regression Estimation Results with Fixed Effect Model

Variables	Coefficient	Std.Error	t-Statistic	Prob
Export	0.997099	1,279,242	0.779445	0.4430
Import	-1,219,361	1,347,895	-2,904,641	0.0374
Economic Openness	0.232888	0.163572	1,423,766	0.1669
Human Capital	-4,609,380	4,106,178	-2,122,545	0.0423
C	2,134,821	1,718,747	1,242,080	0.2257
Adjusted R-squared	0.357086			
Prob(F-statistic)	0.025051			

Source: Data Processing Results, (2024)

The following is a panel data regression model that has been transformed into logarithmic form based on the table above:

$Yt = \beta 0 + \beta 1X1 + \beta 2X2 + \beta 3X3 + \beta 4X4 + et$

GDP=21.34821+0.997099 (Export)-1.219361 (Import)+0.232888 (Economic Openness)-4.609380 (Human Resources)

The results of the regression estimation using the Fixed Effect Model (FEM) in this study aim to understand the influence of independent variables—exports, imports, economic openness through FDI, and human capital—on economic growth in upper-middle-income APEC countries, namely Indonesia, Malaysia, and Thailand. Based on the regression results, the constant obtained is 21.34821, indicating that when the independent variables are assumed to be zero, the estimated economic growth (GDP) increases by 21.34821 percent. This shows the expected basic contribution to economic growth without the direct influence of the export, import, economic openness, and human capital variables in this model. Further analysis of the coefficients of each variable shows different results. Exports have a coefficient of 0.997099, with a t-count value of 0.779445, which is smaller than the t-table (2.04841), and a significance of 0.4430 which is greater than 0.05. This indicates that exports have no significant effect on economic growth in these three countries over the past decade. On the contrary, imports show a negative coefficient of -1.219361, with a t-value of 2.904641 which is greater than the t-table, and a significance of 0.0374, which is less than 0.05. This indicates that imports have a significant but negative effect on economic growth, which may indicate that increasing imports of goods and services can suppress economic growth, possibly due to dependence on imported goods that reduce domestic output. Furthermore, economic openness as measured by FDI has a coefficient of 0.232888, with a t-value of 1.423766 which is less than the t-table, and a significance of 0.1669, which is greater than 0.05. These results indicate that FDI has no significant effect on economic growth in these countries, which may be due to limited investment allocation to certain sectors without a broad impact on the economy as a whole. Human capital has a coefficient of -4.609380, with a t-count

of 2.122545, which is greater than the t-table, and a significance of 0.0423, which is less than 0.05, indicating a significant but negative influence.

Simultaneous test (F-test) shows that the variables of export, import, economic openness, and human capital together have a significant effect on economic growth, with a probability value of F-statistic of 0.025051, which is smaller than 0.05. This result shows that overall the combination of the four variables still has an effect on economic growth in the three APEC countries studied. This finding provides an illustration that the relationship between international trade, economic openness, and human capital has an important collective role in supporting the national economy. The coefficient of determination (R^2) test shows a value of 0.357086 or around 35%, which means that 35% of the variability in economic growth can be explained by the variables of export, import, economic openness, and human capital in this model, while the remaining 65% is influenced by other model variables outside. This relatively low R^2 value indicates that there are other factors that influence the economic growth of upper-middle-income APEC countries, which may include aspects such as infrastructure, technological innovation, political stability, and fiscal and monetary policies that are not included in this study. This highlights the need for more integrated policies, encompassing other relevant factors to support more sustainable and inclusive economic growth in Indonesia, Malaysia and Thailand.

The Influence of Exports on Economic Growth in Asia Pacific Economic Cooperation (APEC) Upper Middle Income Countries

The results of the study show that the export variable (X1) has a t-count value of 0.779445, which is smaller than the t-table of 2.04841, with a significance value of 0.4430 which is greater than the significance level of 0.05. This shows that exports have no effect on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand. This is because dependence on primary commodities in the export structure can be one of the main reasons. These countries often export natural resource-based products with low added value. Fluctuations in global commodity prices and unstable demand can reduce the positive impact of exports on domestic economic growth. Lack of diversification of products and export destination markets can also hinder the contribution of exports to economic growth. When exports are introduced to certain products or markets, economic risk increases if there is a decrease in demand in that market or changes in trade policy. This can cause volatility in export earnings and endanger the relationship between exports and economic growth. Low local value added in export products indicates that the economic benefits of export activities are not fully enjoyed by the country. Most production processes may involve imports of high-value raw materials or components, so that the net economic benefits of exports are minimal. However, even if export volumes are high, their contribution to economic growth may remain limited because the benefits generated do not significantly increase national income. Infrastructure and logistics efficiency constraints can reduce export competitiveness. Limited transportation, energy, and port facilities can increase production and distribution costs, making export products less competitive in international markets. Low logistics efficiency can also cause delays in shipping and travel distances for international buyers, which ultimately reduce demand for export products from these countries. Domestic trade policy and regulatory issues may hamper export potential. Unfavorable policies, such as export tariffs, complicated regulatory procedures, and incentive policies for domestic producers, can reduce the motivation to increase exports. In addition, lack of investment in research and development to improve product quality and innovation can also make export products less competitive globally.

The Impact of Imports on Economic Growth of Asia Pacific Economic Cooperation (APEC) Upper Middle Income Countries

The results of the study show that the import variable (X2) shows a significant influence on economic growth, with a t-count value of 2.904641 which is greater than the t-table (2.04841), and a significance value of 0.0374 which is smaller than 0.05. These results indicate that imports have an effect on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand. This is because imports act as the main channel for obtaining capital goods and advanced technology that are not available domestically. These countries often import machinery, equipment, and information technology needed to increase domestic industrial productivity. Thus, imports enable technology transfer and increased production efficiency that contribute directly to economic growth. Openness to imports encourages healthy competition in the domestic market. When imported products enter the local market, domestic producers are encouraged to improve the quality and efficiency of their products to remain competitive. This competition can trigger innovation and improve the quality of domestic products, which in turn can strengthen the country's economic position in the global market. In addition, domestic consumers benefit from a wider choice of products at more competitive prices, which improves consumer welfare and aggregate demand. Imports of raw materials and other production inputs are an important component of the industrial supply chain. Many industries in Indonesia, Malaysia, and Thailand rely on imported raw materials for their production processes. The availability of stable and quality raw materials through imports ensures smooth industrial operations, which contributes to economic output and GDP growth. In addition, access to imported raw materials can lower production costs and increase the competitiveness of final products in international markets. Imports also play a role in economic diversification and risk mitigation. By importing a variety of goods and services, countries can reduce their dependence on certain economic sectors and increase their economic resilience to global markets. Diversification through imports allows for more flexible adjustments to changes in international supply and demand, which is essential for long-term economic stability and growth. Trade relations through imports strengthen friendly and economic ties between countries. Active participation in international trade, including imports, allows APEC countries such as Indonesia, Malaysia, and Thailand to engage in broader trade agreements and economic cooperation. This not only increases access to global markets but also opens up opportunities for foreign investment and knowledge transfer, all of which contribute positively to economic growth.

The Influence of Economic Openness on Economic Growth in Asia Pacific Economic Cooperation (APEC) Upper Middle Income Countries

The results of the study show that the FDI variable (X3), which measures economic openness through foreign direct investment, does not show a significant effect with a t-value of 1.423766 and a significance of 0.1669, which is greater than 0.05. This may indicate that FDI has no effect on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand. This is because the quality and type of incoming Foreign Direct Investment (FDI) do not match the needs of domestic economic development. If the FDI received is more focused on the extractive sector or sectors with low added value, then its contribution to economic growth will be minimal. Foreign investment that is not directed to productive sectors such as high-tech manufacturing or export-oriented services may not have a significant impact on increasing economic output. The limited spillover effect of FDI to the local economy can cause other causes. If foreign companies tend to use technology and labor from their home country without transferring technology or improving

the skills of the local workforce, then the benefits of FDI on increasing domestic productivity are limited. Lack of integration between foreign and local firms hampers the diffusion of innovations and managerial practices that can drive economic growth. Domestic regulatory conditions and investment climates may not support optimal utilization of FDI. Complex bureaucracy, laws, and corruption can reduce the efficiency of foreign investment and hinder its contribution to economic growth. In addition, if investment incentives are not balanced with policies that encourage linkages between foreign firms and local industries, the potential economic benefits of FDI are not fully realized. High repatriation of profits by foreign firms can reduce the positive impact of FDI on economic growth. If foreign firms repatriate most of their profits back to their home country, domestic capital accumulation does not increase significantly. This means that even if there is an inflow of foreign capital, its impact on gross national income and domestic investment is minimal. Reliance on FDI without domestic capacity development can create economic vulnerability. If economic growth is not supported by increased domestic investment and strengthening of the local sector, the economy becomes vulnerable to foreign investment. Sudden withdrawal of capital by foreign investors due to global or domestic conditions can have a negative impact on economic stability.

The Influence of Human Capital on Economic Growth in Asia Pacific Economic Cooperation (APEC) Upper Middle Income Countries

The results of the study show that the human capital variable (X4) has a significant effect on economic growth, with a t-count value of 2.122545, greater than the t-table, and a significance value of 0.0423, which is smaller than 0.05. This shows that human capital has an effect on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand. This is because investment in human resources, especially through improving the quality of education and training, has increased the skills and productivity of the workforce. Skilled workers are able to operate advanced technology, innovate in production processes, and improve the operational efficiency of companies. This increase in productivity directly contributes to increased economic output and Gross Domestic Product (GDP) growth in the three countries. Quality human resources encourage innovation capacity and adopt new technologies in the economy. Countries such as Indonesia, Malaysia, and Thailand have invested in research and development, and encouraged collaboration between educational institutions and industry. This results in the discovery of new technologies and improvements in more efficient production processes. The ability to innovate and adopt new technologies is essential to improving international competitiveness and global market penetration, which ultimately drives economic growth. Improved human capital leads to higher per capita income and reduced social welfare. A better educated workforce tends to get higher-paying jobs, which increases people's purchasing power and domestic demand. Increased household consumption is one of the main drivers of economic growth, especially in countries with large populations such as Indonesia and Thailand. In addition, increased income and welfare contribute to social stability that supports a favorable investment climate. Strong human capital improves institutional effectiveness and the quality of governance. Better education raises public awareness of the importance of good governance, transparency, and accountability. This drives improvements in bureaucracy and regulation that support economic activity. Effective governance and strong institutions attract domestic and foreign investment, as investors have greater confidence in the stability and predictability of economic policies, which in turn drives economic growth. Investment in human capital enables economic diversification and the development of new sectors. With a skilled and knowledgeable workforce, these countries can develop high value-added industries such as information technology, biotechnology, and

financial services.This diversification reduces dependence on traditional sectors such as agriculture and low-cost manufacturing, and increases the economy's resilience to external shocks. The development of these new sectors creates quality jobs and drives sustainable economic growth.

International Trade, Economic Openness, Human Capital and Economic Growth from the Perspective of Islamic Economics

International trade in Islam is permitted and even encouraged as long as it does not violate sharia provisions. The Qur'an in Surah Al-Baqarah verse 275 states: "Allah has permitted trading and forbidden usury." This verse shows that fair and usury-free trading activities are permitted. The Prophet Muhammad himself was a trader known for his honesty and integrity. International trade can be a means to meet the needs of the people and distribute resources more evenly, as long as it does not contain elements of fraud, gharar (uncertainty), and maysir (gambling) (Johan & Schebesta, 2022). Economic openness such as Foreign Direct Investment (FDI) can have a positive impact on economic growth if it is in accordance with sharia principles. Incoming foreign investment must be free from usury and not oppress any party. In Surah Al-Hajj verse 41, Allah SWT says: "Those are those who, if We establish their position on earth, they will establish prayers, pay zakat, command what is right and forbid what is wrong..." This verse is emphasizes the importance of justice and social welfare in every economic activity. Therefore, economic openness must be directed at increasing public benefit without sacrificing sharia values (Azzaki, Qizam, & Qoyum, 2023). Human capital is an important asset in Islamic economics. Islam places great importance on knowledge and self-development. The hadith narrated by Ibn Majah states: "Seeking knowledge is obligatory for every Muslim." Investment in education and training is considered a form of worship and a contribution to the progress of the community. Quality human resources will increase productivity, innovation, and economic competitiveness, all of which are in line with the goals of sharia to achieve prosperity and social justice (Mahmood, Khan, Naser, Alheety, & Bardai, 2020). Economic growth in the Islamic perspective is not only measured by increasing economic figures alone, but also by increasing the social and moral welfare of society. Sharia economics emphasizes fair distribution of wealth, poverty alleviation, and environmental preservation. In Surah Al-Qashash verse 77 it is stated: "And seek in what Allah has bestowed upon you (happiness) the home of the Hereafter, and do not forget your share of the (pleasures) of this world ..." This shows that economic growth must balance material and spiritual needs, and bring benefits to all levels of society. Thus, in sharia economics, international trade, economic openness, human capital, and economic growth are interrelated and must be implemented based on sharia principles. The application of Islamic values in economic activities is expected to create a just, prosperous, and sustainable society, in accordance with the main objective of sharia to achieve the welfare of humanity (Karimullah, 2023).

International trade from the perspective of Islamic economics is considered legitimate and recommended in accordance with the established principles of sharia. The National Sharia Council of the Indonesian Ulema Council (DSN MUI) through its various fatwas provides guidelines on trade practices that are in accordance with Islamic law. DSN MUI Fatwa No.28/DSN-MUI/III/2002 on Currency Trading (Al-Sharf) regulates foreign exchange transactions which are an integral part of international trade. This fatwa emphasizes that such transactions are permissible as long as they meet the requirements such as the absence of usury, gharar (uncertainty), and maysir (gambling). Thus, international trade conducted based on the principles of justice, transparency, and without elements prohibited by sharia is considered legitimate and can make a positive contribution to economic growth (Royani & Setiawan, 2024). Economic openness, especially through Foreign Direct Investment (FDI), is also accommodated

in the DSN MUI fatwa on the condition that it meets sharia provisions. DSN MUI Fatwa No.80/DSN-MUI/III/2011 concerning the Application of Sharia Principles in the Equity Securities Trading Mechanism in the Regular Market of the Stock Exchange states that investment, including that originating from abroad, is permitted if it does not contain elements of usury, gharar, maysir, and the investment object does not conflict with sharia. Economic openness through FDI is considered to be able to increase economic growth by providing capital, technology, and managerial expertise, provided that the investment is carried out within a halal and thayyib (good) framework (Amanda Simanjuntak, Safitri, Rani Rahayu, Salsabila Nainggolan, & Amelia, 2023). Human capital or human capital has a central role in Islamic economics. The basic principles of Islamic law emphasize the importance of human resource development. Investment in education and skill development is considered a form of worship and fulfills the objectives of Islamic law (maqasid al-syariah) in preserving reason (hifz al-aql) and descendants (hifz an-nasl). Human resource development based on Islamic values is expected to increase productivity, innovation, and high work ethics, all of which contribute to sustainable and equitable economic growth. Economic growth in the perspective of Islamic economics is not only measured by increasing economic figures, but also by the quality of community welfare and distributive justice. DSN MUI Fatwa No.23/DSN-MUI/III/2002 concerning Islamic Insurance (Ta'min, Takaful, and Tadhamun) shows a commitment to economic mechanisms that protect and empower the community (Alfi Amalia & Lubis, 2021). Economic growth must reflect increased social welfare, reduced economic poverty, and equitable distribution of wealth. Economic activities that drive growth must be free from monopolistic practices, hoarding, and exploitation, in accordance with the principles set out in various DSN MUI fatwas (Menne et al., 2023).

5. Conclusion

Based on the research results, it provides the fact that exports have no effect on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand because dependence on primary commodities in the export structure can be one of the main reasons. These countries often export natural resource-based products with low added value. Fluctuations in global commodity prices and unstable demand can reduce the positive impact of exports on domestic economic growth. Imports have an effect on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand because imports act as the main channel for obtaining capital goods and advanced technology that are not available domestically. These countries often import machinery, equipment, and information technology needed to increase domestic industrial productivity. Thus, imports enable technology transfer and increased production efficiency that contribute directly to economic growth. FDI has no effect on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand because the quality and type of incoming Foreign Direct Investment (FDI) do not match the needs of domestic economic development. If the FDI received is more focused on the extractive sector or sectors with low added value, then its contribution to economic growth will be minimal. Human capital has an impact on the economic growth of the Asia Pacific Economic Cooperation (APEC) Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand because investment in human resources, especially through improving the quality of education and training, has increased the skills and productivity of the workforce. Skilled workers are able to operate advanced technology, innovate in production processes, and improve the operational efficiency

of companies. This increase in productivity directly contributes to increased economic output and Gross Domestic Product (GDP) growth in the three countries. In Islamic economics, international trade, economic openness, human capital, and economic growth are interrelated and must be implemented based on Islamic principles. The application of Islamic values in economic activities is expected to create a just, prosperous, and sustainable society, in accordance with the main objective of Islamic law to achieve the welfare of humanity.

Theoretically, this study enriches the academic literature by incorporating these key variables into the economic growth model. This study complements the literature on the impact of economic openness in countries with different levels of development. By focusing on upper-middle-income countries, this study provides insights into how the effects of economic openness may differ depending on the level of human capital and economic structure of a country. This helps in a more comprehensive and contextual theory. This study encourages a more inclusive economic development model by incorporating social variables such as human capital. This is in line with the multidisciplinary approach in economics that recognizes the importance of non-economic factors in influencing economic growth. Thus, this study not only strengthens existing theories but also encourages the development of new theories that are more relevant to the current economic dynamics.

In practical terms, the findings of this study have significant implications for policymakers, business players, and other stakeholders. The findings can encourage governments to strengthen more liberal and proactive trade policies. This includes reducing tariff and non-tariff barriers, increasing customs efficiency, and participating in strategic free trade agreements. By recognizing the crucial role of human resources in economic growth, governments and educational institutions can develop strategies to improve the quality of education and workforce training. Investments in higher education, research and development, and vocational training programs can improve the skills and productivity of the workforce, which ultimately enhances national competitiveness in the global market. For the private sector, the findings of this study can be used to formulate more effective business strategies. Companies can take advantage of opportunities arising from economic openness by expanding overseas and adopting international technologies and business practices. In addition, investment in human resource development can improve operational efficiency and product innovation, which are important for long-term business curiosity. For investors and financial institutions, this study provides valuable information for making investment decisions. A better understanding of the factors that drive economic growth allows them to identify potential sectors and allocate capital more efficiently. This can increase returns on investment and drive economic growth through increased investment activity.

This study has several limitations that can be used as a reference for further research development. One of the main limitations is that the study was conducted in the period 2014-2023, which has limitations in capturing long-term dynamics and structural trends that affect economic growth. A ten-year period may not be enough to observe the lag effect of independent variables on the dependent variable. The study, which only focuses on three Upper Middle Income countries, namely Indonesia, Malaysia, and Thailand, limits the generalizability of the findings to other countries, even those in the same income category. The use of ordinary panel tests in data analysis has limitations in capturing the complexity of the relationship between variables. Research that only focuses on exports, imports, economic openness (FDI), and human capital may ignore other important variables that affect economic growth. Factors such as political stability, institutional quality, infrastructure, technology level, government spending, and monetary policy can play a significant role in determining the level of economic growth.

Further research is advised to expand the analysis period to cover a longer time span. This allows for observation of long-term trends and dynamic effects between variables. In addition, expanding the sample to include more countries, both from the upper-middle income category and other categories, can increase the generalizability of the findings and allow for cross-country comparative analysis. The use of more sophisticated econometric methods, such as dynamic panel data models or the Generalized Method of Moments (GMM), can help overcome endogeneity and heterogeneity issues. Furthermore, including additional variables such as institutional indicators, infrastructure, innovation, and macroeconomic policies will provide a more comprehensive understanding of the factors that influence economic growth.

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