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Peripheral Growth Models and the Global Economy

A Second Image IPE Perspective

Michael Schedelik and Andreas Nölke

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Abstract

The paper departs from the perspective of "second image IPE," i.e., the need to closely combine Comparative Political Economy (CPE) and International Political Economy (IPE). More specifically, it focuses on the observation that the growth models in the (former) periphery of the global economy (a typical focus of CPE) are strongly shaped by their interdependencies with the structural transformations of the global economy (as studied by IPE). At the same time, the changes within the growth models of large economies in this periphery (CPE) can have a major impact on global interdependencies (IPE). For example, the rise of China as a major player in world trade and investment ("China shock") has had a substantial impact on growth models elsewhere in the periphery, via import penetration, direct investment, and export demand. This paper shows how these growth models shape (and are shaped through) international interdependencies by analyzing (1) the effects of global commodity cycles on the growth experience of several major exporters of primary resources, such as Brazil or Indonesia, during and after the recent commodity boom. (2) We further elaborate on the effects of global financial cycles on peripheral countries, particularly those pursuing debt-led growth models, such as South Africa or Turkey. (3) We finally point to the role of global production chains and foreign direct investment for FDI-led growth models of manufacturing exporters such as Thailand or Vietnam in South East Asia.

Keywords: commodity prices, comparative political economy, emerging economies, financial flows, foreign direct investment, global economy, global production chains, growth models, international political economy, middle-income trap, second image IPE

Zusammenfassung

Das Discussion Paper geht von der „second image IPE"-Perspektive aus, das heißt der Notwendigkeit, die Vergleichende Politische Ökonomie (VPÖ) und die Internationale Politische Ökonomie (IPÖ) eng miteinander zu verknüpfen. Konkret konzentriert es sich auf die Beobachtung, dass die Wachstumsmodelle in der (ehemaligen) Peripherie der Weltwirtschaft (ein typischer Schwerpunkt der VPÖ) stark von ihren Interdependenzen mit den strukturellen Transformationen der Weltwirtschaft (wie sie von der IPÖ untersucht werden) geprägt sind. Gleichzeitig können die Veränderungen innerhalb der Wachstumsmodelle großer Volkswirtschaften in dieser Peripherie (VPÖ) erhebliche Auswirkungen auf globale Interdependenzen (IPÖ) haben. So hatte beispielsweise der Aufstieg Chinas zu einem wichtigen Akteur im Welthandel und bei Investitionen („China-Schock") über Importpenetration, Direktinvestitionen und Exportnachfrage erheblichen Einfluss auf die Wachstumsmodelle in anderen Teilen der Peripherie. Das Paper zeigt, wie diese Wachstumsmodelle internationale Interdependenzen prägen (und durch sie geprägt werden), indem es erstens die Effekte globaler Rohstoffzyklen auf die Wachstumserfahrungen mehrerer bedeutender Exporteure von Primärressourcen wie Brasilien oder Indonesien während und nach dem jüngsten Rohstoffboom analysiert. Zweitens erörtert das Paper die Auswirkungen globaler Finanzzyklen auf Peripherieländer, insbesondere auf jene, die schuldengetriebene Wachstumsmodelle verfolgen, wie Südafrika oder die Türkei. Drittens untersucht es die Rolle globaler Produktionsketten und ausländischer Direktinvestitionen für FDI-getriebene Wachstumsmodelle von Exporteuren von Fertigungsgütern wie Thailand oder Vietnam in Südostasien.

Schlagwörter: ausländische Direktinvestitionen, Falle des mittleren Einkommens, Finanzströme, globale Produktionsketten, Internationale Politische Ökonomie, Rohstoffpreise, Schwellenländer, Second Image IPE, Vergleichende Politische Ökonomie, Wachstumsmodelle, Weltwirtschaft

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1 Introduction: The need to combine Comparative and International Political Economy

Over the last decades, Comparative Political Economy (CPE) and International Political Economy (IPE) have largely developed independent of each other. Whereas IPE mostly focuses on international economic institutions, CPE studies national economic configurations. This separation has increasingly been criticized within CPE, highlighting the importance of integrating transnational influences on national models of capitalism. However, the fundamental critique of "methodological nationalism" (e.g., Pauls and Kalinowski 2024) seems to throw the baby out with the bathwater, given that political economies have to be located in space and time. Moreover, international institutions can only be analyzed properly if we understand the national units that establish them and the transnational processes caused by these institutions (Flassbeck 2024). Still, while many scholars acknowledge the need of linking CPE and IPE, we are still missing conceptual frameworks to implement this combination. In this paper, we outline our second image IPE perspective as one option for such a conceptual framework.

A second image IPE perspective offers a lens on the contemporary global economy that differs considerably from economic liberal approaches such as the open economy politics (OEP) perspective, but also from Marxist approaches such as dependency and world-system theory. In contrast to the former, it rejects the oversimplified assumption that all (or most) economies are alike, which is the baseline for the reductionist research strategy of searching for economic laws that are valid independent of time and space. In contrast to the latter, it does not presuppose an unsurmountable hierarchy between a Northern center and a Southern periphery, and deterministic properties of the global capitalist system. In contrast to the dominant literature on commodity price cycles, international financial subordination, and on hierarchies in global value chains (see Section 2), we assume that the national governments of emerging economies have substantial leeway to shape their national growth trajectories. Therefore, we strongly argue for keeping the analytical focus on the domestic level, i.e., the "second image" in Kenneth Waltz' termi-

The paper benefited from Michael Schedelik's stay at the MPIfG as a visiting researcher in the spring of 2024. Earlier versions of this paper were presented at the SASE 2024 Annual Conference in Limerick, the DVPW 2024 Conference in Göttingen, the YSI/IPE/GRWG Workshop "Demand and Growth Regimes: Expanding the Debate" in Berlin 2024, and the Max Planck Online Workshop in Comparative Political Economy in 2025. We are grateful to the participants for very helpful comments, particularly to Doro Bohle, Juan Manuel Campana, and Karsten Kohler. Moreover, we are indebted to Martin Höpner and Dustin Voss for their highly constructive suggestions for the improvement of the paper.

nology (cf. Waltz 1959), but also for integrating it more systematically with system-level variables, i.e., Waltz's "third image." Hence, the core CPE-inspired premise is that political economies are structurally different from one another, and that these differences in institutional setup or growth strategy are co-constituted by endogenous as well as exogenous explanatory factors.

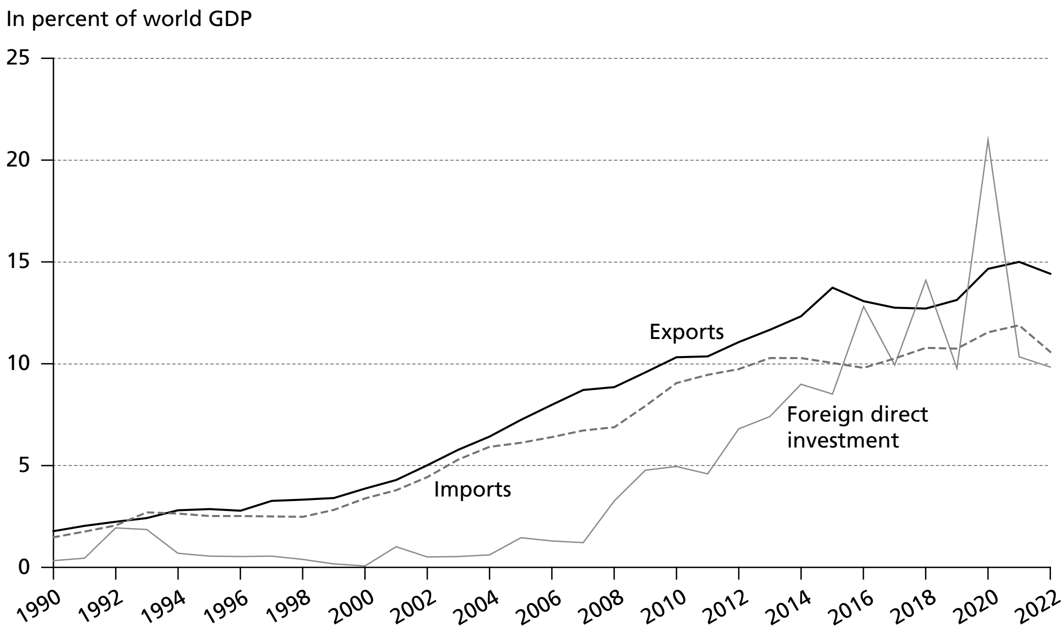
Empirically, we focus on growth models in developing and emerging economies in the Global South. Although constituting the vast majority of countries in the world, they tended to be neglected in CPE so far, which traditionally has a focus on comparing economies of the Global North. Here, we are contributing to an emerging research program which extends the growth model approach to these countries (Schedelik et al. 2021; Akcay, Hein, and Jungmann 2022; Mertens et al. 2022; Sierra 2022; Passos and Morlin 2022; Tan and Conran 2022; Jungmann 2023; Schedelik et al. 2023; Stockhammer 2023; Baccaro and Hadziabdic 2024; Campana et al. 2024; Güngen and Akcay 2024; Ianni 2024; Kalanta 2024; Krampf 2024). Given the exploratory nature of our contribution, we abstain from causal testing and focus on the development of conceptual arguments instead. Subsequently, we use short comparative case vignettes of "most similar" economies to demonstrate that even mid-size peripheral economies have substantial leeway for shaping their national growth models when dealing with international dependencies. For this purpose, we select three pairs of economies, which each demonstrate different strategies regarding the same international dependency, while at the same time covering the most important types of growth models in emerging economies.

Against this backdrop, this paper proceeds as follows. The second section highlights the renewed importance for studying international dependencies of growth models in emerging economies, given the fundamental transformations of the global political economy in the wake of China's rise, as well as the shortcomings of existing literatures. The third section outlines the second image IPE perspective in more detail. The fourth section shows how global commodity markets generate cyclical price movements, which profoundly shape the growth trajectories of commodity-dependent economies in the Global South. This holds true for many countries, even for several of the largest in the world, such as Brazil and Indonesia. The fifth section looks at the global capital cycle and how global liquidity affects growth models based on housing bubbles or other forms of debt. We exemplify the intricacies of "dependent financialization" in emerging economies by drawing on the cases of Turkey and South Africa. The sixth section elaborates on the role of global production networks for growth models based on foreign direct investment (FDI). By comparing the political economies of Thailand and Vietnam, we point to the mid- and long-term fragility of this type of growth model in light of the middle-income trap. The final section concludes and discusses avenues for future research.

2 Point of departure: The rise of China and new dependencies in the global economy

The rise of China has been the single most important development in the global economy over the past three decades. In this period, China's gross domestic product has grown from roughly one trillion dollars in 1990 to an astonishing thirty-three trillion dollars in 2023, making it the largest economy in the world (measured by purchasing power parity) and accounting for 18.8 percent of global gross domestic product (GDP) (up from 4 percent in 1990) (IMF 2024a).[1] Gradually, this emerging economic powerhouse has radically transformed the global economy (Figure 1). In terms of global exports, China's share increased from 1.7 percent in 1990 to 14.4 percent in 2022, with an especially pronounced surge from 2001 onwards when China entered the World Trade Organization (WTO). Since 2009, China overtook Germany as the largest exporter of goods in the global economy, making it the "world's factory." A large share of Chinese exports entered the markets of the advanced economies in Europe and North America, representing a profound exogenous shock to the respective manufacturing sectors (Autor, Dorn, and Hanson 2021; Dai et al. 2023). China's share in global imports also rose significantly from a mere 1.5 percent in 1990 to more than 10 percent in 2022. In terms of foreign direct investment outflows, China's share has similarly risen from almost nothing in 2000 to an all-time peak of 21 percent in 2020.

Figure 1 The rise of China in the global economy



Source: Own elaboration based on UNCTADstat.

1 Conventionally, economies are compared using nominal GDP in US dollars. By this measure, China ranks second (18,000 dollars) after the United States (27,000) dollars.

While the focus of most IPE studies has been on Chinese foreign economic policy towards the West and the geopolitics of the rise of China, the impact of China's rise on the development trajectories of countries in the Global South has largely gone unnoticed (but see Jepson 2020; Jenkins 2022). For instance, Chinese import penetration into Global South countries has increased fifteen to twentyfold in the past thirty years, on average accounting for roughly one-fifth of all imports to these countries in 2021 (World Bank 2024). The same holds true for exports. Similarly, Chinese companies are major investors in many developing and emerging economies. In several countries, China even accounts for up to 50 percent of all foreign direct investment (Molnar, Yan, and Li 2021, 16). This trend has been intensifying recently, due to the geo-economic tensions between China and the advanced Western economies (IMF 2024b, 45–47). Therefore, we are observing the evolution of new structural dependencies in the global economy.

Traditionally, the profound dependencies of peripheral economies in the global economy have been the subject of a burgeoning Marxist-inspired IPE literature. This literature mainly focuses on three aspects of contemporary global capitalism, namely global commodity markets, global financial cycles, and global production networks. The literature on global commodity markets highlights the dependence of many developing and emerging economies on the export of commodities. These dependencies are profound, given the cyclical nature of commodity price movements over time (Akyüz 2022; Schedelik et al. 2023). Similarly, the literature on "dependent" or "subordinate" financialization emphasizes the severe repercussions of short-term financial flows on these economies (Alami et al. 2023; Bonizzi, Kaltenbrunner, and Powell 2022; Lapavitsas and Soydan 2022). Finally, the literature on global production networks argues that developing countries are often integrated in a subordinate position in these networks, with limited employment gains, harsh working conditions, and extensive pollution (Dünhaupt et al. 2020; Kvangraven 2020; Wang, He, and Song 2021). All three literatures see growth models in the Global South as more or less as determined by the overwhelming forces of the global economy, thereby echoing dependency theory (Frank 1969; Cardoso and Faletto 1979), world-systems theory (Wallerstein 1976), or the more recent post-colonial theory (Bhambra 2021). Such a perspective leaves little to no room for national economic agency and, in fact, cannot explain why some countries manage to mitigate global market pressures better than their peers.

In stark contrast to the dependency literatures, liberal or neoclassical IPE approaches, such as the currently still hegemonic OEP perspective, tend to over-emphasize the domestic economic policymaking process. This perspective starts with a set of rationalist actor preferences, deduced from economic theories, and studies economic policymaking as a process of interest aggregation via partisan politics or interest group lobbying. At a later stage, national preferences derived in such a way serve as the independent variable in bargaining processes at the international level – sometimes modeled as a two-level game (Milner 1997; Lake 2009). Interestingly, this strand of IPE research closely mirrors rationalist CPE approaches, except the occasional focus on international bargaining (Keohane 2009, 38). Therefore, many critics have argued that OEP, as most CPE research, suffers from methodological reductionism, studying domestic politics largely in isolation from broader macroeconomic processes, transnational dependencies, and systemic (power) structures (Oatley 2011; Cohen 2022, 36). Consequently, OEP has been criticized for failing to explain major recent events in the global political economy, such as the global financial crisis (GFC), the rise of China, or the Brexit vote (Owen and Walter 2017; Oatley 2021). This has led to an ongoing debate in IPE concerning the need for moving beyond the OEP paradigm (Oatley 2011; Blyth and Matthijs 2017; Cohen 2022; Copelovitch and Walter 2024).

In order to further these debates, we need to balance the claims of the dependency literatures with the notion of domestic economic agency as highlighted by OEP. We contribute to this endeavor by advancing a second image IPE perspective which draws on the growth models approach in CPE and links it to system-level variables in the global economy which are traditionally analyzed by scholarship in IPE. On the one side, a second image IPE perspective argues that the governments of peripheral economies have substantial leeway for national economic agency. This is certainly true for very large emerging economies such as China and India (Nölke et al. 2020), but also – as we will demonstrate below – for medium-sized emerging economies. On the other side, in contrast to the OEP approach focusing on material actor preferences and the respective micro foundations, a second image IPE perspective highlights institutional and structural variables, both domestically and globally. Correspondingly, we claim that such a second image IPE approach helps us to better understand both systemic transformations of the global political economy, such as the rise of China, and national growth trajectories. More fundamentally, we argue that these phenomena are deeply interrelated.

3 Theorizing linkages between domestic growth models and the global economy: A second image IPE perspective

The second image IPE perspective goes back to international relations (IR) scholar Kenneth Waltz. Famously, Waltz (1959) developed the notion of a "second image" for theories of IR, particularly on the causes of war. He contrasts this notion with those of a "first" and a "third image." First image theories explain war through the personalities of political leaders, such as Churchill, Hitler, or Napoleon. Second image theories highlight the importance of domestic features of states for the explanation of war, for example their economic systems or their democratic character. Third image theories – preferred by Waltz himself – explain war by recourse to the properties of the international system, for example by highlighting its anarchic nature and the distribution of power within this system.

Although Waltz developed this trichotomy for the study of international relations, the second image notion is particularly prominent in the field of IPE, starting with the seminal publications by Peter Gourevitch (1978) and Peter Katzenstein (1978). Katzenstein's second image analysis follows Waltz' notion and explains foreign economic policies with economic and political variables of different countries. Gourevitch, in contrast, reverses Waltz' notion ("second image reversed") and studies how external factors – in particular globalization – influence domestic features of countries, such as their economic systems. A simple way of imagining the two perspectives is to distinguish between top-down mechanisms (global to domestic) and bottom-up ones (domestic to global). Bottom-up mechanisms can be subsumed under the "second image" perspective, and top-down mechanisms under the "second image reversed" perspective.

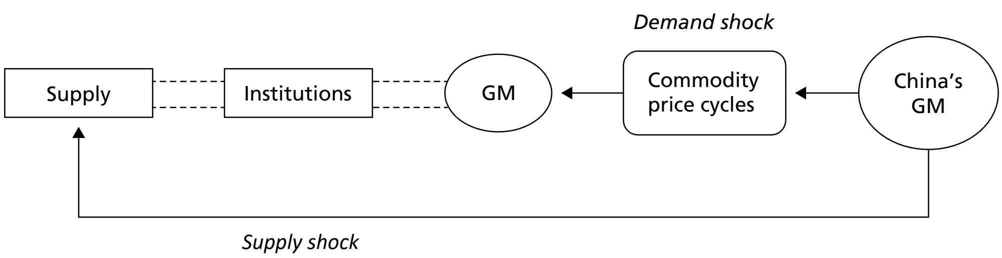
We argue in favor of combining both perspectives – second image and second image reversed – for a comprehensive understanding of the global political economy. However, in this paper we focus on the latter (for the former see, e.g., Nölke 2015). Recently, we have been witnessing an increasing number of studies that are highlighting the importance of the international dimension for the study of national models of capitalism (e.g., Blyth and Matthijs 2017; Schwartz and Tranøy 2019; Kacmarczyk 2020; Baccaro, Blyth, and Pontusson 2022; Schwartz and Blyth 2022; Nölke 2023). This growing attention to international variables in CPE is closely linked to the recent shift from supply-side and firm-centered varieties of capitalism (VoC) approaches (Hall and Soskice 2001) to demand-side and macroeconomic growth model perspectives (Baccaro and Pontusson 2016; Hein, Meloni, and Tridico 2021; Kohler and Stockhammer 2022; Baccaro, Blyth, and Pontusson 2022). Traditional firm-centered approaches in VoC focus strongly on the national institutional environment of companies. The global economy is only important as market for products based on different types of innovation (incremental vs. radical). These approaches have a limited interest in cross-border activities, with the exception of national models of capitalism strongly influenced by multinational companies, namely the dependent market economies of East Central Europe (Nölke and Vliegenthart 2009), and a discussion on the social and democratic potential of the European Union (Höpner and Schäfer 2014). From a macroeconomic growth model perspective, in contrast, international interdependencies matter a lot, including different national profiles with regard to exports and to FDI. This emerging research program has led to a fruitful dialogue between CPE, IPE, and Post-Keynesian Economics (Hein, Meloni, and Tridico 2021; Stockhammer and Kohler 2022; Stockhammer 2023; Campana et al. 2024).

So far, however, this emerging research program is still at a very early stage. On the one hand, we see a number of conceptual arguments making the case for this combination. On the other hand, we find empirical studies on a few selected topics, but without a comprehensive theoretical framework. These topics most notably include the eurozone (Johnston and Matthijs 2022) and the FDI-dependent economies in East Central Europe and Ireland (Bohle and Regan 2021; 2022; Ban and Adascalitei 2022), but increasingly also the specific embeddedness of emerging economies such as China and commodity exporters in the global economy (Akcay, Hein, and Jungmann 2022; Mertens et al. 2022; Sierra 2022; Tan and Conran 2022; Jungmann 2023; Schedelik et al. 2023, Campana et al. 2024; Ianni 2024).

At the center of the second image IPE perspective are deep interdependencies between very different types of growth models. This has been shown empirically for advanced economies in the period before the global financial crisis, in particular within the eurozone (Baccaro and Pontusson 2016; Nölke 2016; Hall 2018; Baccaro, Blyth, and Pontusson 2022; Kohler and Stockhammer 2022). In this paper, we aim to explore similar developments in the global periphery. To this end, we build on existing growth model research for emerging capitalist economies. For instance, in our earlier work, we identified an investment-led growth model in large emerging economies, such as China and India (Mertens et al. 2022). The majority of countries in the Global South, by contrast, feature a commodities-based export-led growth model (Schedelik et al. 2023). Both models are intimately linked and reinforce each other. More specifically, we will show below that China's industrialization shaped growth trajectories elsewhere in the periphery through a sustained demand shock that fueled price increases in global commodity markets. Furthermore, we observe a complementarity shock on the supply side of these economies as well, replacing domestic production with imports from China. Therefore, to fully account for growth trajectories in emerging capitalist economies, we also need to include the supply side in our analytical framework (see also Schedelik et al. 2021; Stockhammer 2023).

Political economic institutions – the focus of an established tradition in CPE and traditional comparative capitalism approaches – mediate between supply and demand. Figure 2 illustrates this framework with regard to the interplay between the rise of China's investment-led growth model and the commodities-based export-led models in the Global South. For debt-led growth, as a further example, we could replace China with the US, which sits at the center of the global financial system and shapes financial cycles through its own growth model and the respective monetary policy decisions.

Figure 2 A second image framework: peripheral growth models in the global economy



Source: Own elaboration.

A second image IPE perspective, therefore, focuses on the interplay between growth models and their international interdependencies. Economic policymaking needs to be analyzed in this context, as structural system-level variables deeply shape domestic growth trajectories – thereby going beyond the OEP approach and traditional CPE literatures. However, in contrast to dependency theory, there exists substantial room for national economic agency and the domestic political economy context matters a lot.

More specifically, we advance a nonlinear relationship between international dependence and domestic autonomy: in "normal" times, international factors shape domestic growth models, but there is – prima facie – still considerable autonomy for economic policymaking; during crises, however, international factors become strongly binding and domestic autonomy is substantially reduced.[2]

In the following sections of the paper, we apply this lens to three highly prevalent growth models in the contemporary global periphery: commodity-led growth, debt-led growth, and FDI-led growth. This list is not exclusive, however, and we do not engage here with growth models based on remittances and foreign assistance, for instance (for the latter, see Myant and Drahokoupil 2011; Wanklin 2025). Similarly, we exclude international constraints stemming from international economic institutions, such as free trade agreements (Dünhaupt et al. n.d.).

Overall, growth trajectories in developing and emerging economies are fundamentally different from those of advanced economies. Whereas the latter are generally characterized by a long-run average growth rate with business cycle fluctuations around this trend, the former are characterized by stop-go growth, i.e., multiple alterations of growth accelerations and decelerations or outright collapses (Jones and Olken 2008; Kar et al. 2013). Hence, growth models in the Global South are highly volatile and fragile. A large part of this vulnerability comes from the external sector of these economies and relates to volatile export revenues, typically in a handful of commodities, as well as volatile capital flows, both portfolio and foreign direct investment flows (Table 1).

Table 1 Growth models in the global periphery and their vulnerabilities

Growth model	*Commodity-led growth*	*Debt-led growth*	*FDI-led growth*
Growth driver	Commodity prices	Portfolio inflows	FDI inflows
Vulnerability	Dutch disease, deindustrialization	Sudden stops, financial and currency crisis	MNC relocating, middle-income trap

Source: Own elaboration.

In the subsequent sections, we analyze these growth models in more detail. By drawing on paired comparisons of "most similar" countries, we outline some of the core features of commodity-led, debt-led, and FDI-led growth models, their respective growth drivers, and short- or mid-term vulnerabilities. In contrast to the conventional focus on the classification of growth models according to their aggregate demand components, specific attention is given to the ability of national governments to manage these vulnerabilities. This contrasts the idea that their growth models are completely predetermined by global dependencies. In doing so, we are arguing more specifically that state capitalist (or neo-developmentalist) economic policies are more successful than liberal ones in managing the vulnerabilities stemming from their specific insertion into the global

2 We owe this point to Karsten Kohler.

economy. Correspondingly, we are looking at two types of causalities in our paper. On the one side, we are pointing out how external growth drivers (commodity prices, portfolio and FDI flows) are co-constituting the three types of growth models in the semiperiphery. On the other side, we are sketching how in each of these types state capitalist strategies can make a difference with regard to the vulnerabilities highlighted above.

4 Commodity price cycles: Indonesia versus Brazil

Recently, growth model scholarship has begun to study commodity-led growth, which is arguably one of the globally most prevalent types of growth model (Schedelik et al. 2023). Commodity-led growth models heavily rely on the development of commodity prices, which are set on global markets with little or no pricing power for producer countries. In addition, commodity prices are characterized by large swings, dubbed commodity super cycles, where prices rise sharply for several years before plummeting (Erten and Ocampo 2013). Commodity price fluctuations disproportionally affect developing and emerging economies, which, on average, are less diversified and more commodity-dependent than advanced economies. These price cycles do not only have a direct impact on export volumes and earnings, but also on macroeconomic stability, as economic activity in commodity-dependent emerging economies closely mirrors the price movements of their major export items (IMF 2012, 125). Here, we can draw on decades of development studies research which has pointed toward the significant macroeconomic effects of an overreliance on natural resource extraction (see the literature on the "resource curse," cf. Ross 2015).

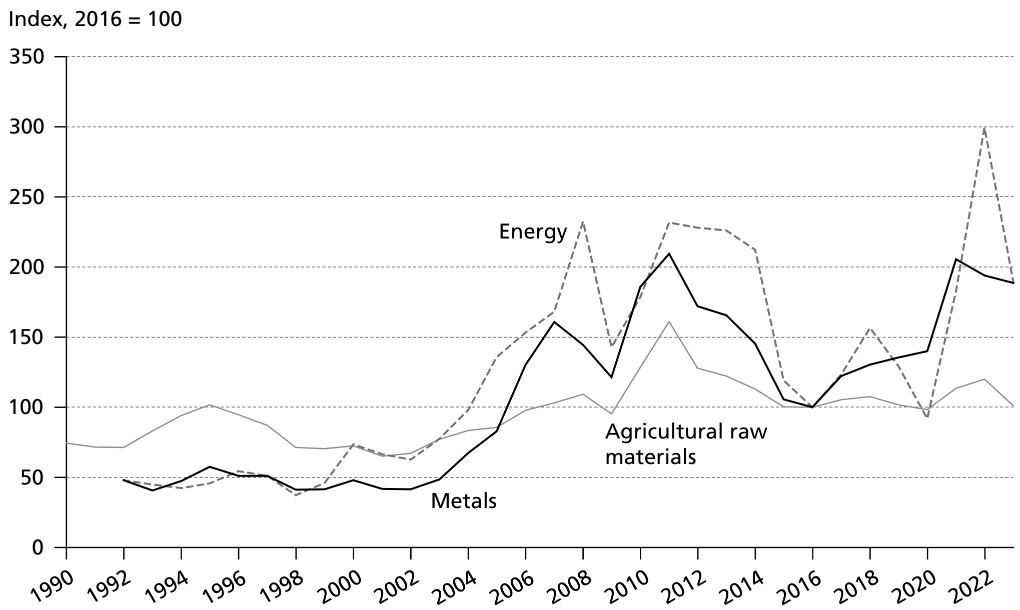
The most important mechanism associated with fluctuations in commodity prices is the so-called "Dutch disease" – termed after the economic side effects of natural gas discoveries in the Netherlands in the 1950s (Corden 1984). It refers to the real appreciation of the currency due to huge capital inflows into investment projects in the booming commodity sectors and/or large increases in commodity revenues during boom periods (Frankel 2010, 20). This results in increased domestic income and spending by the private and especially public sector, leading to higher prices and output in the nontradable sectors and consequently to higher wages across the economy (the so-called "spending effect"). At the same time, capital and labor move from other parts of the economy to the booming commodity sectors, which results in rising prices of nontradables vis-à-vis other tradables (the so-called "resource movement effect"). Both effects lead to a real exchange rate appreciation and therefore to a loss of international competitiveness and declining output in the manufacturing sectors and, hence, to deindustrialization (Brahmbhatt, Canuto, and Vostroknutova 2010). The predicament of the "Dutch disease" is much less likely to occur in advanced economies that have developed a strong reliance on exports (such as Germany). These economies never fully tilt towards structural dependency – not least because the market structures for manufactured goods and commodities are fundamentally different: "what you export matters" (Hausmann, Hwang, and Rodrik 2007). More specifically, avenues for diversification and technological change are limited for most commodity-dependent developing and emerging economies and depend on sustained political efforts, which are negatively affected by commodity price swings (UNCTAD 2021).

The reliance on commodity exports is a recurring and prevalent feature of most developing and emerging economies. In the 2018–2019 period, 101 countries out of 195 UNCTAD member states (53 percent) were commodity-dependent, i.e., with a commodity export product share of more than 60 percent (UNCTAD 2021, 5). Beyond that, we can identify a correlation between the degree of commodity dependence, i.e., commodity exports as a share of merchandise exports, and the contribution of commodity exports to a country's gross domestic product. A higher share of commodity export dependence is associated with a higher share of commodity exports in a country's GDP. Commodity dependence thereby can be as high as 99.8 percent in the case of Iraq and even 100 percent in the case of South Sudan. Furthermore, a range of countries exhibit an even more specific commodity dependence, relying on only one or a few commodities. Countries such as Iraq (93.5 percent), Angola (88 percent), Chad (79.6 percent), and Guinea-Bissau (88.4 percent) depend heavily on the export of one single product. In roughly half of all commodity-dependent economies, one single product, mostly crude petroleum, constitutes more than half of all exports (UNCTAD 2019, 5).

In the recent past, China's rapid industrialization and the related output growth in the first two decades of the twenty-first century generated immense demand for primary products. From 1997 to 2017, China's share of global energy consumption more than doubled, from 11 to 23 percent, while its share of global metals consumption increased fivefold, from 10 to 50 percent (World Bank 2018, 11). In comparison, advanced economies' share of global energy and metals consumption declined from 50 to 40 percent and 70 to 30 percent respectively in the same period. This demand shock fueled a sustained commodity price boom, which lasted until the early 2010s. The commodity super cycle came to a halt during the GFC and particularly after 2011, when commodity prices contracted sharply (see Figure 3).

We can see the effects of these fluctuations on growth models by comparing Brazil and Indonesia, which are both commodity exporters and of a similar size. In both countries, the change in the growth trajectory at the end of the 2000s is striking, also in comparison with other major emerging economies (Mertens et al. 2022). Whereas exports were important growth components for the two countries in the early 2000s, they were both hit hard by the strong reduction in the prices of their major export items after the end of the commodity boom that had been driven by China. In other words, the investment-led growth model in China created the demand for resources provided by extractivist suppliers with their export-led commodities-based growth model, only to increase pressure for adjustment when prices fell.

Figure 3 Commodity price cycles

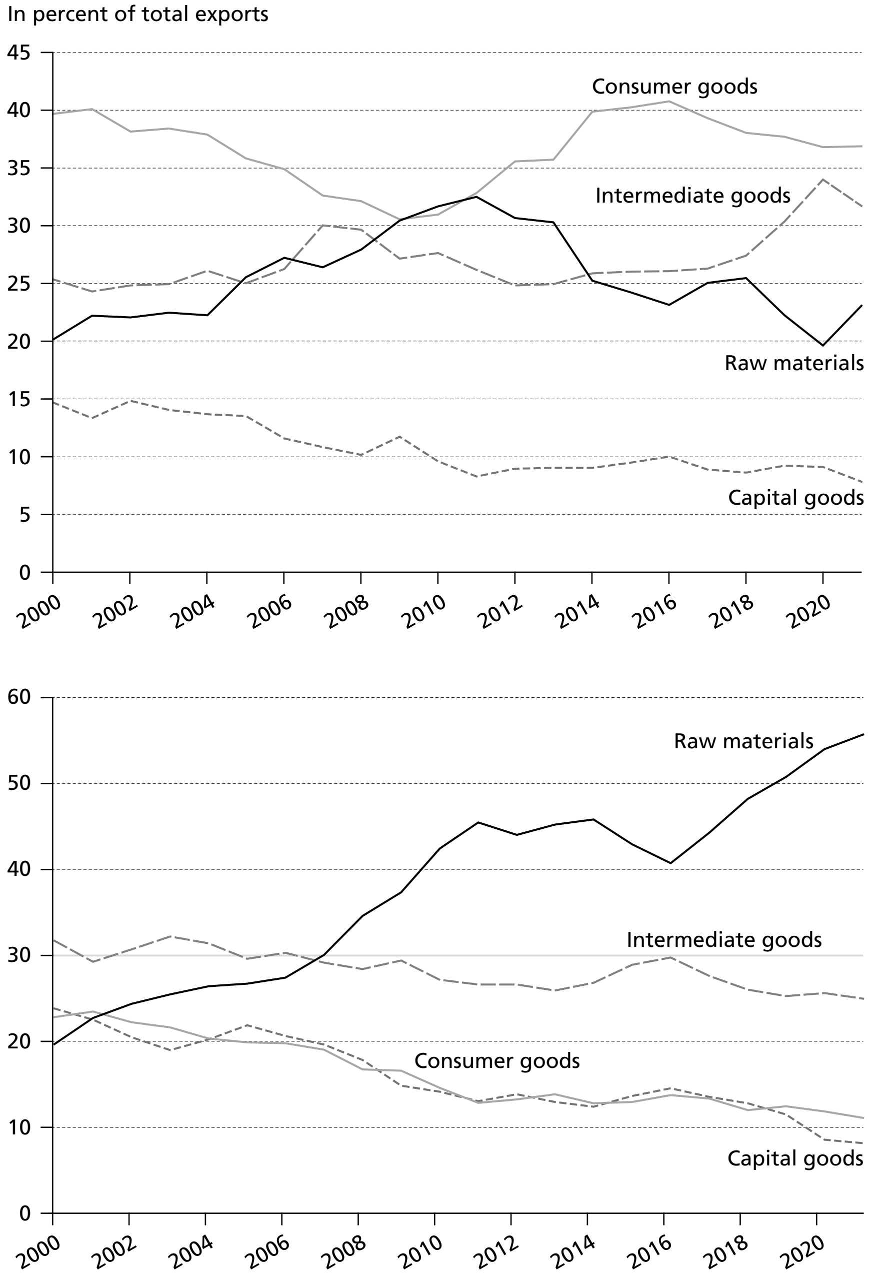


Source: Own elaboration based on IMF, Primary Commodity Price System.

The growth models of the two economies reacted differently to the end of the commodity cycle. Growth in Brazil collapsed, whereas it remained stable in Indonesia (Mertens et al. 2022). While Indonesia was able to retain a high contribution of investments alongside private consumption when exports dwindled, Brazil was unable to stimulate along similar lines. Furthermore, private consumption – together with government expenditures – had to carry the whole burden of growth stimulation in Brazil in the medium term, in line with the notion of a wage-based recovery but increasingly also rising consumer debt. In other words, while Brazil briefly moved from a commodity-based export-led model to a consumption-led model, Indonesia came to a more sustainable "balanced" model based on investments and private consumption. Whereas Indonesia in this way managed to rebalance its growth model and diversify its export profile away from raw materials, Brazil's heavy reliance on commodity exports even intensified and peaked at almost 60 percent of total exports in 2021 (Figure 4).

Openness toward the global economy and pressures from financial subordination seem to be core factors here. Brazil is much more open toward foreign finance and trade, whereas Indonesia has followed a more protectionist path since the GFC. Beginning during the second term of President Susilo Bambang Yudhoyono (2009–2014), Indonesia turned away from its previously rather orthodox neoliberal model (Jepson 2020). In this case, protectionism refers both to financial flows – a legacy of the ill-fated opening of the financial sector after the 1998 Asian financial crisis (Pepinsky 2013) – and trade, where the risk of deindustrialization via open borders for Chinese imports has been taken much more seriously than in Brazil. This means, in turn, that Brazil was not able to minimize its structural dependency on foreign goods and finance in the same way as Indonesia.

Figure 4 Export product share by stage of processing of Indonesia (above) and Brazil (below)



Source: Own elaboration based on WTO, World Integrated Trade Solution database.

The governments led by the Brazilian Workers' Party (PT, 2003–2016) embarked on a program for stimulating domestic demand via private consumption when the PT took power in 2003. Measures to alleviate poverty, raising the minimum wage, and the promotion of credit access for private households (partly through social transfers) were successful in stimulating domestic demand and reducing inequality (Passos and Morlin 2022; Schedelik 2023, 64–70). Yet, a large part of this additional demand was met by foreign companies, most notably from China. Furthermore, massive capital inflows led to a substantial overvaluation of the real, proving a juggernaut for the domestic manufacturing sector and contributing to a sustained process of deindustrialization (Schedelik 2023, 70–80). When the Brazilian economy recovered briefly after the GFC due to massive public investments in infrastructure and the expansion of subsidized credit, financial inflows surged to record levels during the beginning of the quantitative easing (QE) episode in the advanced economies (Gallagher and Prates 2016, 95). In this context, Brazil temporarily implemented capital controls and interventions in the foreign exchange market, but powerful transnationally oriented financial capital prevented the introduction of effective measures (Dierckx 2015, 154–55). These interests hold a very important position, not only because of Brazil's remaining reliance on volatile capital flows, but also because of the political power constellation in Brazil, where presidents have to mobilize majorities in a highly fragmented parliament (May and Nölke 2018, 12–15).

The broader macroeconomic trends, mainly rising Chinese demand for commodities, also affected investment flows, which mostly targeted the booming commodity sectors rather than manufacturing, counteracting several industrial policies of the time (Mesquita Moreira et al. 2020, 2). These industrial policies included huge tax exemptions for domestic industry under the so-called "Greater Brazil Plan" launched in 2011, which led to a slowdown of budgetary revenues growth. Together with rising spending on pensions, social benefits, and an array of subsidies to uphold domestic consumption, this contributed to a rapidly deteriorating fiscal situation (Holland 2019; Ricz and Schedelik 2023). When tax revenues shrank with the end of the commodity super cycle (and it became clear that expectations about the oil rents to be extracted from new hydrocarbon discoveries were overconfident), further stimulation of private domestic demand became politically highly contested and the consumption-led growth model turned sour (Nölke et al. 2022; Passos and Morlin 2022). In addition, the central bank raised interest rates sharply due to pressures by massive capital outflows after the US Fed's taper tantrum in 2013. This further destabilized domestic demand and contributed to the unfolding recession (Carvalho 2019).

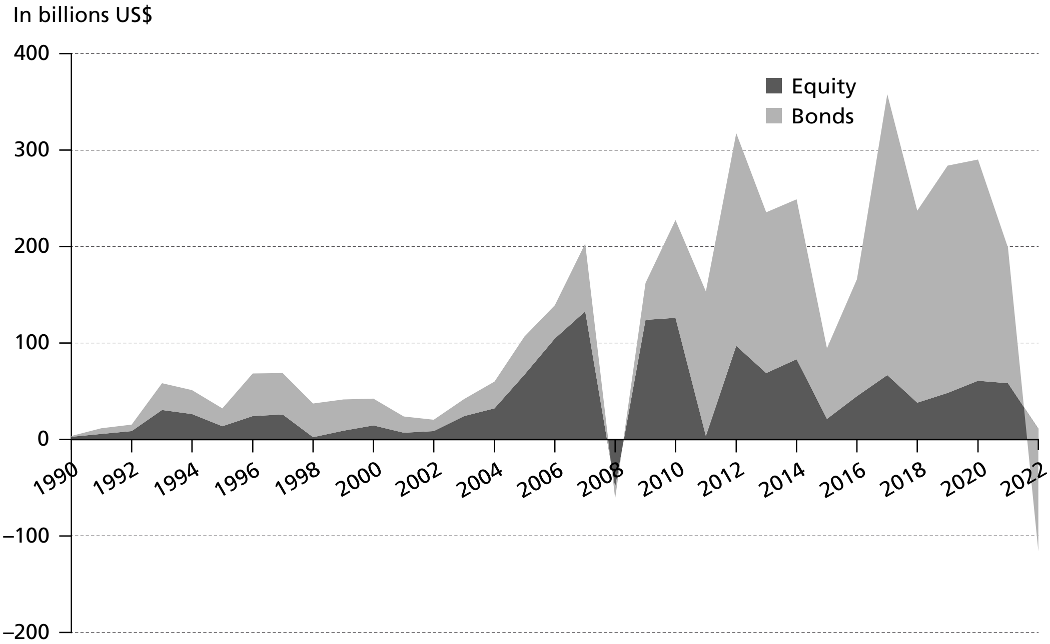
Indonesia, in turn, has been more restrictive with regard to imports and financial flows, also as a reaction to previous destabilization: "Since the 1997–98 Asian financial crisis, Indonesian economic policy has consistently prioritized stability over riskier pathways to economic growth" (Rajah 2018, 2). President Joko Widodo (2014–2024) further strengthened the move toward neo-developmentalism, which began during the second term of his predecessor Susilo Bambang Yudhoyono (Warburton 2016). In contrast to Brazil, Indonesian presidents have a far more powerful position in the domestic political system, for example vis-à-vis parliament. Correspondingly, the government compensated for the end of the commodity boom with massive public investment, predominantly in construction and infrastructure projects, but also in "downstreaming," where raw materials are processed domestically rather than exported (Camba, Lim, and Gallagher 2022). Similarly, the government has put into place a number of measures to limit imports, particularly of consumer goods. Together with expanding government social programs, the jobs created by these activities have contributed to the strong growth of domestic consumption (OECD 2018a, 131–33). Similar observations can be made with regard to financial flows. Again, the Indonesian government has consciously put a premium on stability. Not only is the economy less integrated into global value chains than other countries in the region (OECD 2018a, 133), but the Indonesian government also puts a strong emphasis on limited vulnerability with regard to global financial markets. This includes capping external borrowing, combined with the accumulation of considerable foreign exchange reserves (Rajah 2018, 3). The restrictive Indonesian strategy was supported by its political system with a high concentration of power in the presidency, whereas the more fragmented Brazilian system allowed for more influential lobbying by the financial sector (Nölke et al. 2020, 120–22).

To sum up, both Brazil and Indonesia followed export-led growth paths during the commodity boom period, partly driven by demand from China. When the super cycle came to an end, Indonesia managed the pressure by capital outflows better than Brazil, enabling its government to expand fiscally and stimulate investment and consumption to boost growth. Brazil, in contrast, had bolstered the expansion of domestic markets and consumption but, with rising public and private indebtedness, ran into crisis and stagnation. By pursuing a more protectionist approach, Indonesia has been able to rebalance its growth model towards investment and consumption and diversify its export structure away from raw materials. Brazil, by contrast, has even deepened its heavy reliance on commodity exports in the recent past. Needless to say, smaller developing and emerging countries, i.e., the vast majority, are even more prone to the pitfalls of commodity-led growth. Still, the case of Indonesia demonstrates that mid-sized emerging economies are not necessarily helpless vis-à-vis global commodity price cycles.

5 Global financial cycles: Turkey versus South Africa

Further important international interdependencies for developing and emerging economies stem from their integration into the global financial system. It has been shown that the global financial crisis has been a watershed for the trajectory of growth models in advanced economies (Hein, Meloni, and Tridico 2021; Kohler and Stockhammer 2022). Arguably, the GFC played a similar role in some emerging economies, where it fostered a change of growth models (Akcay, Hein, and Jungmann 2022; Mertens et al. 2022). More specifically, global financial markets shape political economies in the Global South by means of subordinated financialization, potentially destabilizing domestic growth models via large-scale speculative financial flows and the dynamics of global financial cycles under US dollar hegemony (Bonizzi, Kaltenbrunner, and Powell 2022). Financial subordination thereby refers to many developing and emerging economies' vulnerability to sudden capital flows and exchange rate swings. Due to the still prominent role of foreign currency-denominated debt (famously called the "original sin," cf.

Figure 5 Portfolio capital inflows to developing and emerging economies



Source: Own elaboration based on IMF, Balance of Payments database; World Bank, International Debt Statistics.

Eichengreen and Hausmann 2005) *and* foreign investors in local currency bond markets ("original sin redux," cf. Carstens and Shin 2019), a large portion of these countries' debt induces currency mismatches in the event of exchange rate depreciation which increases the risk of local financial crises. Therefore, portfolio flows match the nonlinear relationship highlighted above (Section 3): positive inflows can drive down long-term interest rates and push up local asset prices. This may assist domestic economic activity, contributing to a credit boom. Large negative portfolio flows, however, very often trigger financial crises with severe domestic macroeconomic consequences (Kohler 2022).

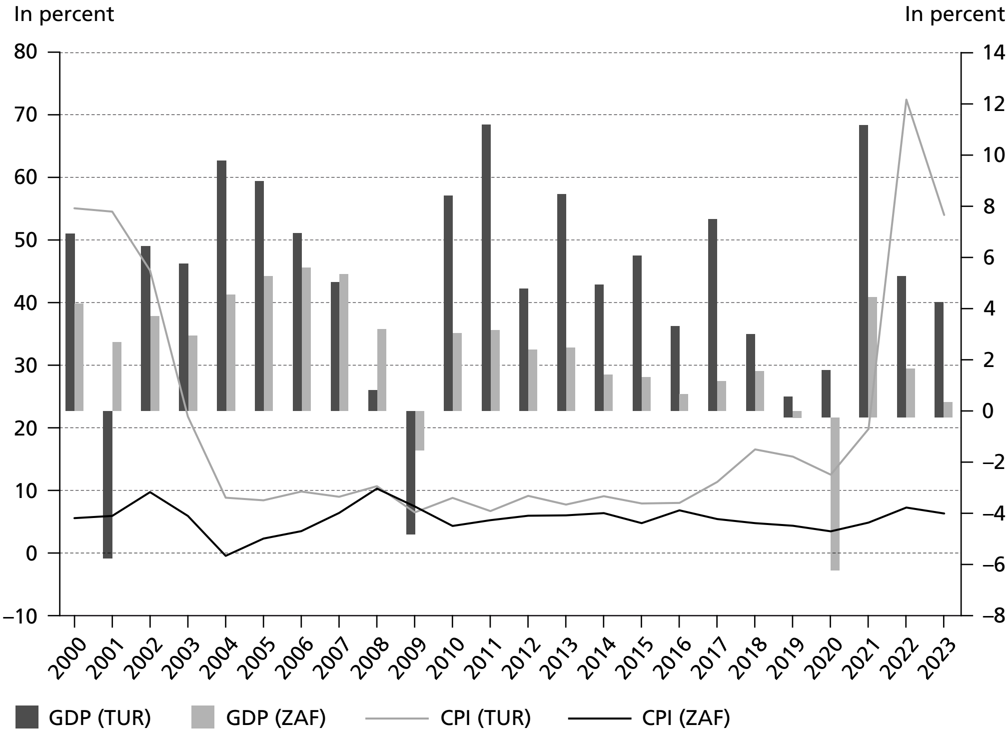
Since the demise of the Bretton Woods system, capital flows to developing and emerging economies have risen markedly, especially since the early 2000s, as international investors increasingly discovered "emerging market" assets as a promising investment (Figure 5). In particular, portfolio flows have recently reached unprecedented levels, outpacing foreign direct investment (Molina and Viani 2019). A recent empirical literature therefore has investigated the drivers of these flows (see Koepke 2019 for an overview). Global risk aversion and a strong US dollar are negatively correlated with capital inflows to developing and emerging economies, whereas output growth in the recipient countries is positively correlated (Molina and Viani 2019, 4). In addition, commodity prices are another important determinant of capital inflows for commodity-dependent countries, even since the nineteenth century (Reinhart, Reinhart, and Trebesch 2016). Although many emerging economies have sought to protect their economies against financial volatilities by imposing capital controls and accumulating foreign reserves, they still tend to be affected significantly (Bauerle Danzmann, Winecoff, and Oatley 2017). As capital flows towards developing and emerging economies are predominately pro-cyclical, they tend to exaggerate boom-bust cycles and seriously impinge on their domestic macroeconomic stability (Akyüz 2022).

We can see the effects of global capital cycles on growth models by comparing South Africa and Turkey, which are both relatively open towards international financial markets and of a similar size. Both countries experienced debt-led growth trajectories recently, culminating in major crises. Whereas Turkey's growth model can be classified as regular domestic demand-led before the global financial crisis, it shifted towards a debt-led trajectory in the post-GFC period (Akcay, Hein, and Jungmann 2022). South Africa, by contrast, sustained a debt-led growth model throughout the 2000s and 2010s, despite a major recession induced by the GFC (Akcay, Hein, and Jungmann 2022; Mertens et al. 2022). Both countries exhibit different types of debt booms, however. Whereas South Africa experienced a classical housing bubble, similar to countries such as Ireland or Spain in the European periphery or the UK and the US before the GFC (Karwowski 2018, 418), Turkey's growth model of the 2010s was based on a corporate debt bubble, which resulted in a classical currency-and-debt crisis (Akcay and Güngen 2022). In both cases, inflows of foreign capital contributed to fueling the debt booms (Karwowski 2018; Akcay and Güngen 2022).

Both South Africa and Turkey have been in a similar situation with regard to the potentially devastating effects of global capital cycles. Still, Turkey has managed the vagaries of these cycles better than South Africa, not only with regard to the attraction of capital inflows but also in terms of GDP per capita or expenditures on research and development in relation to GDP (Ay, Akar, and Akar 2016; Figure 6). After the GFC in particular, Turkey's GDP growth far exceeds that of South Africa, which entered into a phase of economic stagnation, characterized by high levels of unemployment, low growth, and extreme inequality (Nölke et al. 2020, 145). Arguably, we can explain this divergence by the Turkish turn towards a stronger focus on industrial development (Kutlay 2020, 692–98) and several "unconventional" economic and monetary policies after the crisis (Zayim 2022).

While some emerging economies reacted to the massive global liquidity during the quantitative easing phase in Europe and the United States with capital controls, with varying success (see above), the two debt-led countries analyzed here pursued different paths. South Africa, for its part, stuck largely to the neoliberal orthodoxy and even relaxed capital outflow restrictions in the wake of the crisis (Zayim 2022, 544). Turkey, by contrast, implemented a series of unconventional policies such as re-regulating reserve requirements and adopting an asymmetric interest rate band (Apaydin and Çoban 2023, 1056). Although the Turkish central bank modified the policy after the US Fed's taper tantrum in 2013, the Turkish economy navigated the turbulent post-GFC period better than many of its emerging market peers (Ay, Akar, and Akar 2016). As an example, the Turkish currency experienced far less volatility than other emerging economy currencies (Kara 2012, 18–19). Subsequently, the government implemented several industrial

Figure 6 Annual growth of gross domestic product (right axis) and consumer price inflation (left axis) in Turkey and South Africa compared



Source: Own elaboration based on World Development Indicators.

policies to shift the growth model towards more manufacturing, including neomercantilist policies for accessing new non-Western markets (Akcay and Jungmann 2023, 547–49; Arnold and Naseemullah 2024; Güngen and Akcay 2024, 162–63). However, state interventionism had serious political consequences as well, consolidating President Erdoğan's increasingly authoritarian regime (Apaydin and Çoban 2023; Güngen and Akcay 2024, 163). Since 2018 at the latest, several regulatory agencies and the central bank became subject to political capture, forcing interest rates down to fuel credit expansion despite rising inflation (Çoban and Apaydin 2024, 11–12). Consequently, the Turkish economy experienced a major currency crisis in 2018 and skyrocketing inflation of more than 70 percent in 2022 (Figure 6).

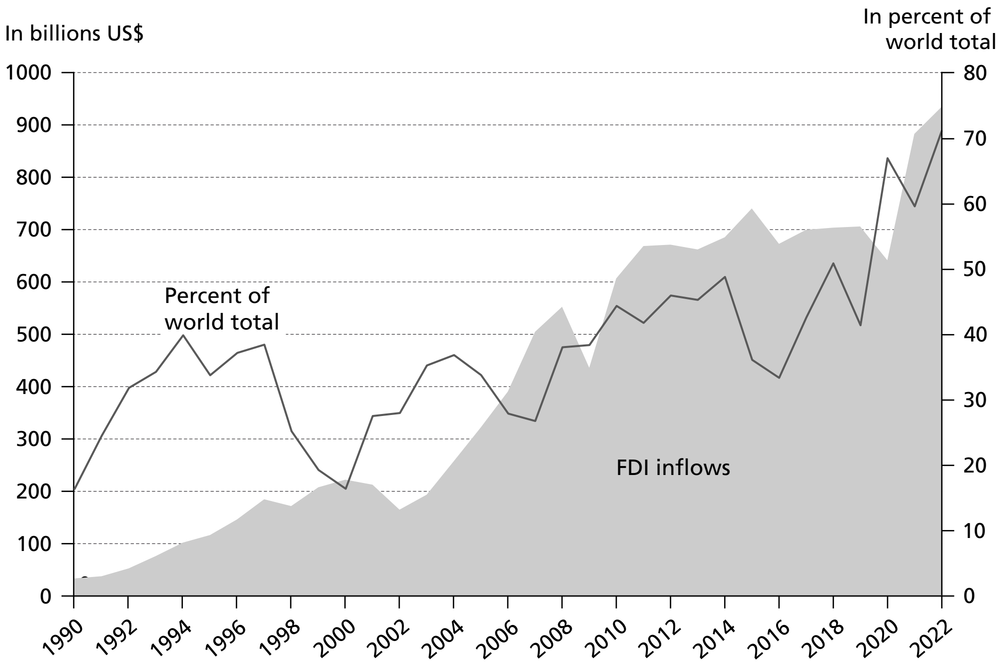
To sum up, both South Africa and Turkey pursued a debt-led growth model in the first two decades of the new millennium, in part supported by global excess liquidity before the GFC and during the QE episode. When the global financial cycle contracted during the GFC and the 2013 taper tantrum, Turkey managed the threat of massive capital outflows better than South Africa by adopting a set of unconventional monetary policies. This enabled its government to push for more industrial development and manufacturing, thereby somewhat rebalancing its growth model. South Africa, by contrast, continuously relied on financialization and the debt-led model in spite of signs of stagnation and endemically low growth (Bonizzi and Karwowski 2024, 309). Following a strictly orthodox macroeconomic framework, it has even deepened its heavy reliance on capital flows until recently. Hence, the case of Turkey shows that emerging economies dispose of a set of economic policy measures to mitigate the vagaries of global financial cycles. However, Turkey's more recent political economic trajectory warns of the serious medium to long-term negative side effects of certain debt-led growth models, on the economy more generally and democratic institutions in particular. This has been amply demonstrated by economic history as well (Funke, Schularick, and Trebesch 2016).

6 Global production chains: Vietnam versus Thailand

Growth model research on emerging economies has identified FDI-led growth models in several countries of the European periphery, such as Ireland and in East Central Europe (Bohle and Regan 2021; Ban and Adascalitei 2022; Bohle and Regan 2022). In addition, earlier CPE research has already shown how complete regions of the global economy, such as Central and Eastern Europe or Central America became structurally highly dependent on foreign investment (Nölke and Vliegenthart 2009; Schneider 2009). Since FDI comes from multinational firms, it does not merely reflect macroeconomic conditions, but also business strategies and global power relations (Strange 1996). Here, a second image IPE perspective can help to take global corporations and their influence on national growth models seriously when studying the growth trajectories of developing and emerging countries (Kaczmarczyk 2020; Bohle and Regan 2021). Such an approach complements research on global value chains, which mainly operates at the sectoral level (Gereffi 2018).

Foreign direct investment flows to developing and emerging economies have increased manifold since the 1990s, representing 70 percent of the world total by 2022 (Figure 7). This period has been marked by the information and communication technology (ICT) revolution and the second phase of globalization, called the "second unbundling," as factories became separated internationally due to rapidly enhanced ways of communication and the coordination of complex activities over long distances (Baldwin 2016). Consequently, we have witnessed the rapid evolution of global value chains (GVCs). More and more firms have organized production processes globally, offshoring parts or services to producers elsewhere. Consequently, GVC trade has increased significantly over time, accounting for about one-half of world trade recently (Antràs 2020, 6). The rise of global value chains had important implications for developing and emerging economies, as it lowered the capabilities needed to enter such chains (Antràs 2020, 11). However, not every type of GVC integration has proven equally supportive of sustainable growth and development. Commodity-based GVCs or lower value-added segments of production in general, tend to exhibit lower economic returns for host countries. In addition, opportunities to upgrade from these lower production stages to higher value-added stages,

Figure 7 Foreign direct investment flows to developing and emerging economies



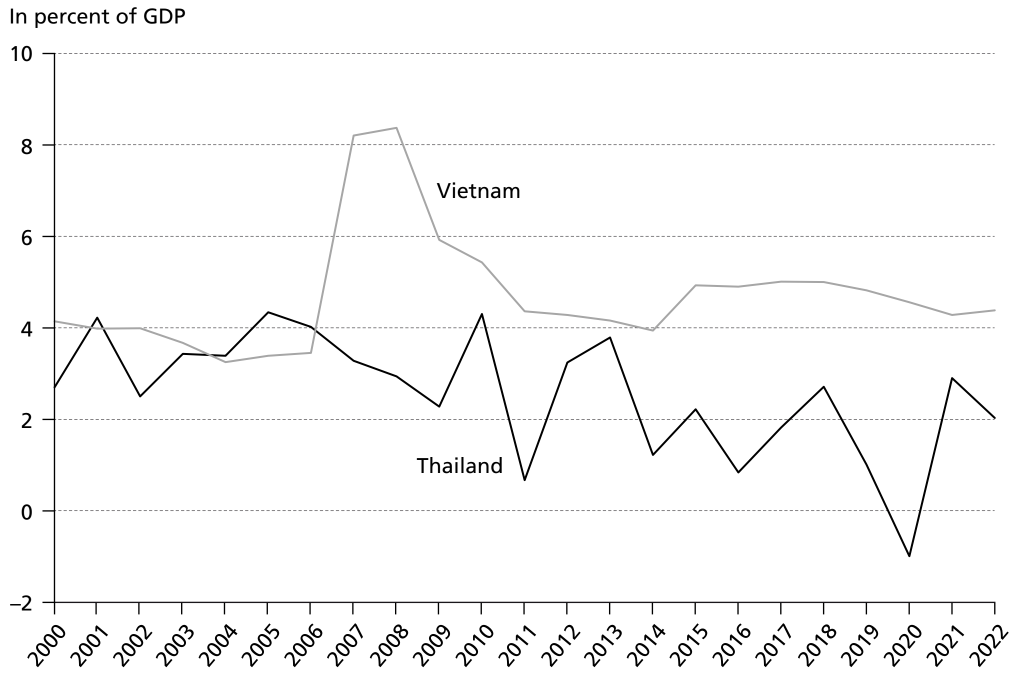
Source: Own elaboration based on UNCTAD FDI statistics.

associated with more sophisticated technological know-how and more qualified employment, considerably depend on concerted industrial policies (Pipkin and Fuentes 2017).

While foreign direct investment flows can lead to a transfer of technology towards developing and emerging economies, they also carry substantial disadvantages. Whereas the lead firms in global production chains are located in the high-income economies of the North, companies in the South often integrate in a subordinate position, being responsible for low-tech production, low-skills employment, and shouldering pollution-intensive activities (Kvangraven 2020; Wang, He, and Song 2021). Furthermore, deep integration into global value chains negatively affects a country's national sovereignty with regard to labor or environmental regulation, as multinational corporations can sue host states via investor-state dispute settlement mechanisms in international investment agreements and threaten to disrupt GVC integration of the respective country (Moehlecke, Thrall, and Wellhausen 2023). The political choice for an FDI-led growth model, therefore, by necessity includes a certain "retreat of the state" (Strange 1996).

We can observe the effects of foreign direct investment flows on growth models in emerging economies by studying Thailand and Vietnam, two countries with a very high share of FDI due to their proximity to East Asian manufacturing nations such as China, Korea, and Japan. So far, Southeast Asia is relatively underexplored in the growth model literature. However, the region has been among the leading FDI destinations recently,

Figure 8 Foreign direct investment inflows as percent of GDP

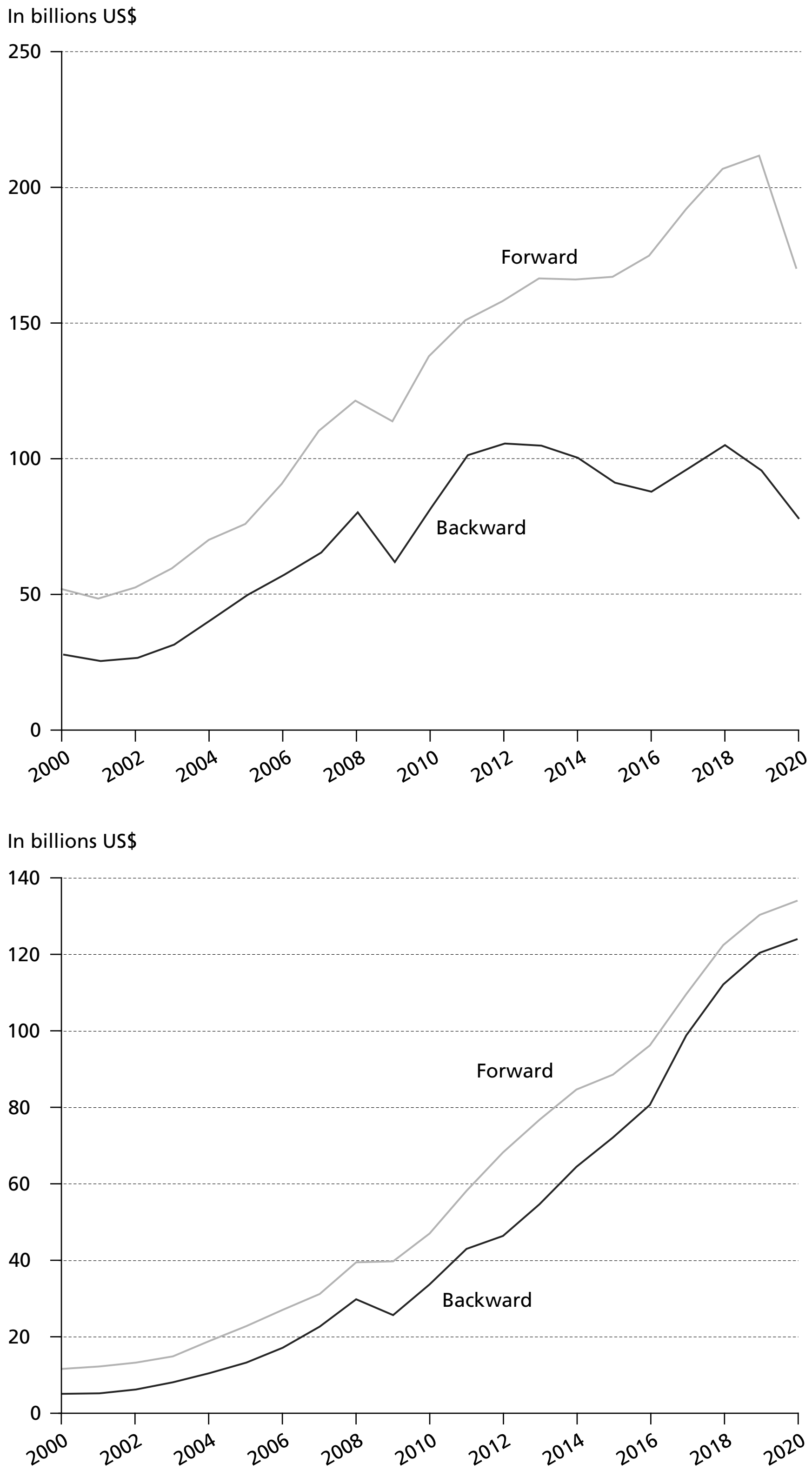


Source: Own elaboration based on UNCTAD FDI statistics.

debunking the global downward trend. In 2023 alone, the region received 226 billion US dollars in FDI inflows with 1,568 greenfield announcements, a 42 percent increase from the previous year (UNCTAD 2024, 7, 13–14). Comparing these countries to other FDI-dominated regions, such as Eastern Europe and Central America, may lead to promising insights into the intricacies of FDI-led growth. Thailand and Vietnam in particular have received vast amounts of direct investment since the 1990s, way above the average of emerging economies. More recently, however, FDI inflows as a percentage of GDP have continued to increase strongly in Vietnam, while having declined in Thailand (Figure 8).

Competition among Southeast Asian countries has been fierce, as other neighboring countries such as Malaysia, Indonesia, or the Philippines are also attracting large volumes of FDI. Key factors for MNCs' investment project decisions are labor costs and the overall political and economic risk, i.e., a favorable "business climate" (Pandya 2016, 462). Having attracted large sums of FDI early on, since the mid-1980s, and having become a relatively advanced economy compared to other countries in the region, Thailand's cost advantage vis-à-vis its competitors has been shrinking over time (OECD 2021, 96). Consequently, MNCs have gradually relocated operations to neighboring countries such as Vietnam or Cambodia. Adding to this, Thailand's recent history since the mid-2000s is characterized by a series of political crises, social unrest, and two coup d'états in 2006 and 2014, eating into its investment profile (Lorch 2021, 87–89). Dwindling FDI inflows have gradually diminished Thailand's export capacities and competitiveness

Figure 9 GVC participation of Thailand (above) and Vietnam (below)



Source: Own elaboration based on OECD, Trade in Value-Added database.

(Nidhiprabha 2017). In contrast to its troubled neighbor, Vietnam is considered one of the more politically stable countries in Southeast Asia. In addition to lower production costs, Vietnam has gradually opened its investment regime and has become one of the leading FDI destinations in the region (OECD 2018b).

Hence, the case of Thailand shows the main problems associated with the FDI-led growth model. First, such a growth model is genuinely dependent on external factors, i.e., the investment decisions of multinational corporations. If domestic factors, such as political conflicts or partisan politics, negatively affect the country's status as an investment location, the mid-term sustainability of the model is threatened. Second, one of the key pillars of the model is low production costs, which are eroded by wage growth over time. At some point, MNCs tend to relocate their low cost operations to other countries. Third, we observe differences in GVC participation across countries, generally captured by the distinction between backward and forward GVC participation. "Backward" participation indicates the degree of foreign inputs in a country's exports, i.e., the foreign value-added content of exports. "Forward" participation indicates the degree of a country's domestic value-added contained in exports. Whereas forward GVC participation is usually prevalent in commodities and commodity-related sectors, backward GVC participation is highest in simple or advanced manufacturing (Rodrigue 2024). In contrast to Vietnam, we observe a divergence between backward and forward GVC participation in Thailand in the mid-2000s, with backward participation – involving a potentially higher technology transfer – developing less well (Figure 9).

Underpinning the more positive development in Vietnam is the conscious strategy of state authorities to maintain some degree of control over foreign direct investments and to extract a substantial transfer of technology in favor of local industry (Lim 2021). The government has been able to make sure that some value of FDI is retained in the country, in contrast to the more liberal approach in Thailand. Again, we are witnessing a state capitalist strategy, which is able to tackle some of the challenges of a dependent integration into global value chains.

7 Discussion and perspectives

In this paper, we have advanced the second image IPE perspective in order to account for structural transformations in the global economy and the divergent growth trajectories of emerging economies. In contrast to traditional CPE approaches, such as the varieties of capitalism or growth models perspectives, we have argued for systematically incorporating system-level ("IPE") variables into a comparative framework of domestic growth models. While there are already substantial efforts at developing this perspective on the interaction of national growth models and global capitalism for high-income economies (particularly in the context of the European Union), this is rather absent for growth models in the global periphery.

The rise of China contributes to the evolution of new structural dependencies in the global economy, increasing the salience of studying the interdependence between national growth models and their international economic context. Marxist approaches, such as dependency or world-system theory, see this interdependence as an unsurmountable hierarchy between a Northern center and a Southern periphery in a deterministic global capitalist system. Liberal or neoclassical approaches, such as the currently still dominant OEP paradigm, largely neglect the existence of power structures in the global economy, focusing almost exclusively on the domestic economic policy process. A second image IPE perspective, by contrast, occupies a middle ground between these opposite positions. It overcomes the determinism of Marxist approaches by highlighting that governments have a certain room for maneuver regarding their national growth models, in particular if they pursue a state capitalist development strategy in "good" times when international dependencies are less binding. Domestic CPE variables, such as the political regime, the power of interest groups, and the capacity of state bureaucracies, in turn, influence the viability of such an economic strategy.

Motivated by a second image IPE perspective, we have discussed three growth models that are typical for the global periphery. Next to a debt-led growth model – also familiar from Southern European economies – we have identified two further growth models that are prevalent in the global periphery, namely commodity-led and FDI-led growth. Whereas FDI-led growth models have also been identified in Eastern Europe and Ireland, commodity-led growth models are a typical feature of the global periphery. The empirical importance of this type of growth model has increased even further during the recent commodity boom that was mainly driven by demand from China. While these three growth models are prevalent among middle-income economies, they do not cover the whole spectrum of growth models in the global periphery. In low-income economies in particular, we are also witnessing growth models based on remittances, foreign aid, or tourism.

Moreover, we have focused on the three major international dependencies for the growth models of peripheral economies – namely global commodity markets, financial flow cycles, and global production chains. While commodity prices can serve as a central driver for growth models in the global periphery, they also imply a high degree of vulnerability, particularly regarding deindustrialization via Dutch disease. Debt-led growth models can profit from portfolio inflows into the global periphery, but are vulnerable towards financial and currency crises, particularly sudden stops. FDI-led growth, finally, benefits from foreign direct investment inflows, but is vulnerable to relocation decisions by multinational corporations and the middle-income trap.

Furthermore, we have demonstrated – through paired comparisons – that even as these developments imply substantial economic challenges, national growth strategies can make a major difference for economic outcomes. Countries in the global periphery are not passive recipients of global market pressures – as suggested by dependency approaches – but have the ability to shape their growth models. Our paired comparisons have identified important CPE variables mediating the success of these strategies. The juxtaposition of commodity-led growth models in Brazil and Indonesia demonstrates the importance of protectionist policies towards manufacturing imports and financial flows. However, only Indonesia – due to a high degree of power concentration in the presidency – was able to implement these policies in a consistent way, for example regarding comprehensive capital controls. The comparison between debt-led growth in South Africa and Turkey shows the importance of monetary policies but also industrial strategies. Such strategies make sure that the demand created by debt-led growth is at least in part met by domestic industry and not only by imports from China or elsewhere. Finally, the contrast between FDI-led growth in Thailand and Vietnam demonstrates the importance of upgrading in global value chains, particularly by enforcing the transfer of knowledge towards domestic companies.

Given the broad task of this paper, our empirical vignettes were only able to provide a broad sketch of the empirical developments within the country cases covered. Future research needs to delve into the specific design of state capitalist strategies, which are able to reduce the vulnerabilities stemming from a dependent integration into the global economy. The same holds true for the class constellations allowing for these strategies.

Moreover, the three types of dependencies in practice are not so neatly separated, as indicated by our ideal-typical treatment. Commodity-led growth, for example, is often strongly intertwined with debt-led growth and problems of financial subordination, as indicated by our analysis of Brazil, while global commodity price developments are linked to the valuation of the US dollar (Rees 2023).

In addition, we need further differentiation of growth models in the semi-periphery. Not only does our discussion neglect remittances or foreign assistance-based growth models, it also does not pay sufficient attention to the very different types of FDI-led (or subcontracting-led) growth models. Even within the European Union, we can find a variety of FDI-led growth models (Reurink and Garcia-Bernardo 2021).

Finally, we need to explore the contributions of older traditions in political economy, which might help us to make sense of the developments covered in this paper. One option would be to complement the country focus of current growth model analysis with a sectoral one, as explored by the rich sectoral political economy literature of the 1980s (e.g., Hollingsworth, Schmitter, and Streeck 1994). Another option would be to more seriously engage with theories of structural heterogeneity (Elsenhans 1996). This may contribute to delineating the boundaries of growth model analysis when applied to economies at an early stage of capitalist development.

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