



## Understanding Divergent Convergence: A Complementary Framework for Uneven Development in the Global South

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### Abstract

*The twenty-first century is marked by a profound transformation of the global capitalist system, characterized by simultaneous convergence between the Global North (GN) and the Global South (GS), alongside increasing divergence within the GS. At the center of this process, the Sino-Asian macro-regional formation has emerged as a new pole of accumulation, reshaping global hierarchies while deepening asymmetries within the GS. This article addresses three interrelated questions: how this transformation has unfolded, why Sino-Asia has become a dynamic center of the global system, and what explains the growing divergence within the GS. To do so, it advances a complementary multilevel framework integrating Arrighian World System Analysis (WSA), Latin American Structuralism (LAS), and Historical Institutionalism (HI). The analysis shows that Arrighian systemic cycles of accumulation—particularly the transition from financial to material phases—account for the conditions underlying the rise of Sino-Asia and a more dynamic GS, but are insufficient to explain intraregional divergence. Prebischian LAS addresses this limitation by highlighting the role of industrialization, technological upgrading, and regional integration in shaping differentiated development trajectories. Integrated within a systemic perspective, HI helps identify state capacity as the key mechanism enabling these processes. Taken together, this framework explains the rise of Sino-Asia as a dynamic center of systemic transformation and the persistence of uneven and divergent development within the GS.*

**Keywords:** Systemic cycles of accumulation; World-Systems Analysis; Latin American Structuralism; Historical Institutionalism; Geoeconomic transformation



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## Introduction

The Twenty-first century has witnessed a profound transformation of the world system, marked by a reconfiguration of global dynamics. This restructuring challenges prevailing imaginaries and projections that dominated the social sciences since the late 1990s and early 2000s. Earlier perspectives assumed a Euro-American-centered global system shaped by a singular form of capitalism that reproduces itself through the outward projection of change.

This worldview gave rise to contrasting theoretical frameworks. On one side, the triumph of democracy and free markets was interpreted as the end of history (Fukuyama 1992). On the other hand, critical approaches emphasized a transnational logic subordinating national formations to supranational institutions (Hardt and Negri 2001; Robinson 2002; Robinson 2008; Panitch and Gindin 2005). Theories of “varieties of capitalism” (Hall and Soskice 2001) added a differentiated global mosaic of national economies, initially focused on developed countries and later extended to broader scales and contexts.

Despite their differences, these paradigms share limitations in confronting the rapid restructuring of the early twenty-first century. Their Euro-American focus on national configurations and responses to Western crises tends to overlook transformative processes unfolding within the Global South (GS), where accelerated changes are reshaping the global order. This implies a reconfiguration of global actors and spatial hierarchies, challenging established political-economic geographies rooted in Euro-American frameworks.

At the core of this transformation are new actors, dynamics, and a multiscalar restructuring that is shaping a new global architecture. In this context, the repositioning of large macro-regional spaces has acquired renewed centrality. Central to this shift are two processes of convergence and two of divergence (Fernández et al. 2022). The first convergence concerns Asia’s historical reclamation of global leadership, led by China—a return to Sino-Asian prominence interrupted by the “Great Divergence” (Pomeranz 2000) and the period of U.S. hegemony in the twentieth century. The second convergence involves the increasing integration of the GS and its narrowing gap with the Global North (GN) (Nayyar 2013). By the early twenty-first century, faster growth and an expanding share of global savings, investment, and trade had repositioned the GS as a crucial actor in the world economy (Fernández and Moretti 2020).

At the same time, two significant divergences have emerged under Sino-Asian leadership. The first concerns the dynamism of the GS relative to the GN, reflecting the shifting balance of global economic activity. The second divergence unfolds within the GS itself, reflecting uneven development trajectories and persistent structural asymmetries among regions (Frankema 2025). While Asia has become a leading hub of global trade and innovation, other regions, particularly

Latin America and Africa, continue to occupy more peripheral positions as suppliers of natural resources, struggling to close gaps in manufacturing capabilities and technological development (Fernández et al. 2022).

From this dual dynamic of simultaneous convergence and divergence, which defines a central paradox of contemporary global development, a set of critical questions emerges that guide the analysis of this article: How has this transformation unfolded? Why has the Sino-Asian region become the new dynamic center of the global system? How has this shift reshaped systemic hierarchies and affected the broader GS? What are the implications for non-Sino-Asian regions, and what challenges must be addressed to avoid an increasingly asymmetrical GS?

This article seeks to answer these questions by examining the contributions, limitations, and necessary interrelations of three theoretical perspectives: Arrighian world-systems analysis (WSA), Prebischian Latin American structuralism (LAS), and Historical Institutionalism (HI). These perspectives are analyzed sequentially to demonstrate their complementarity. The article argues that their articulation provides a multiscalar explanation of the divergent convergence characterizing contemporary global transformation.

The article is organized into four sections that address these questions cumulatively. Section 1 develops the theoretical articulation underpinning the analysis by examining the contributions, limitations, and complementarities of these three perspectives. Section 2 adopts an Arrighian WSA lens to analyze the systemic conditions shaping the current transformation. Section 3 draws on LAS to explain divergent productive trajectories within the GS. Section 4 incorporates an HI perspective to analyze the role of state capacity in organizing and sustaining these dynamics.

### **1. Exploring Theoretical Contributions and Complementarities**

These three theoretical perspectives, introduced above, form an integrated analytical framework, each contributing distinct insights while also presenting limitations that the others help address. Their articulation enables a consistent multilevel explanation of contemporary global transformation.

WSA provides a framework for understanding large-scale transformations in the global economy. Building on Wallerstein's (1974) formulation, Arrighi's interpretation has emerged as one of its most influential elaborations (Arrighi 1994; Arrighi and Silver 1999). Within this perspective, capitalism is conceptualized as a historical system structured by hierarchical relations among core, semi-peripheral, and peripheral regions and characterized by successive cycles of hegemonic leadership. Arrighi's concept of systemic cycles of accumulation is particularly useful for analyzing current transformations. Each cycle unfolds through alternating phases of material and financial expansion, while transitions emerge when financialization

signals the exhaustion of an existing regime of accumulation and the potential rise of new centers of productive dynamism.

From this perspective, the rise of Sino-Asia can be understood as part of a broader process of systemic restructuring associated with the crisis of the U.S.-centered regime that began in the 1970s (Arrighi 2007). WSA analysis helps explain the global conditions under which new centers of accumulation emerge and how shifts in the organization of production and finance reshape the hierarchy of the interstate system. However, it does not fully explain why some regions—especially East and Southeast Asia—have consolidated industrial and technological upgrading, while others, such as Latin America and Africa, remain locked into patterns of primary specialization, thereby reinforcing uneven development trajectories within the GS<sup>1</sup>.

LAS addresses this limitation by focusing on the historically specific productive structures and technological capabilities that shape development trajectories. Originating in the work of Raúl Prebisch (1949) and later developed by scholars such as Furtado (1961), Tavares (1972), and Pinto (1970), this tradition emphasizes industrialization, technological upgrading, and regional integration as means of overcoming structural heterogeneity and fostering sustained development in peripheral economies.

Based on this, the divergent trajectories of Sino-Asia and other regions of the GS reflect differences in industrialization processes, technological capabilities, and the capacity to sustain structural change. Structuralist analyses highlight industrial diversification, technological upgrading, and regional integration as key mechanisms expanding domestic markets and strengthening productive complementarities. These mechanisms help explain why some regions capitalize on opportunities arising from systemic transitions, while others remain constrained by persistent specialization in low-value-added activities.

Yet LAS does not fully explain why industrial-technological cores emerge and consolidate unevenly across countries and regions, nor does it sufficiently account for the institutional configurations that enable some states to sustain these processes. It provides a more limited

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<sup>1</sup> Arrighi's later work, particularly *Adam Smith in Beijing* (2007), offers a substantially richer analysis of China's historical specificity than a reading limited to systemic cycles of accumulation might suggest. His discussion of the interaction among the Sinocentric historical legacy, the Maoist revolution, and the capitalist world market provides important elements for understanding China's distinctive trajectory. The argument developed here is therefore not that Arrighian analysis neglects domestic historical processes, but that it does not provide, as its central analytical concern, a systematic comparative framework for explaining how differences in state capacities and institutional configurations generate divergent trajectories across regions of the contemporary Global South.

account of the institutional mechanisms through which states coordinate actors, discipline financial capital, and direct investment toward strategic sectors.

Some important contributions in HI add a new dimension by highlighting the role of state-building processes and institutional capacity in shaping development trajectories. Drawing on Evans (1995), Skocpol (1985), Hall and Taylor (1996), and Thelen (2004), this perspective emphasizes how state institutions, policy coordination, and bureaucratic capacity influence governments' ability to shape economic outcomes. While not all contributions within this tradition focus explicitly on industrial transformation, some—most notably Evans (1995)—highlight how state capacity enables governments to direct accumulation toward industrial and technological upgrading, providing key analytical tools to understand how states build and sustain developmental capacities over time.

However, this perspective is often limited by a form of methodological nationalism that makes it difficult to situate state strategies within broader systemic dynamics. For this reason, it requires reconnection with both WSA and LAS. WSA situates state strategies within systemic transformations and global hierarchies, while LAS highlights the endogenous industrial and technological structures that shape differentiated development trajectories across regions. Recent contributions have further highlighted that state capacities are not only shaped by internal institutional configurations but are also embedded within—and conditioned by—broader systemic dynamics, including the role of global governance structures. This underscores the need to situate state-building processes within the interplay between domestic institutions and the world-system (Reinsberg et al. 2019).

Together, these perspectives form an integrated analytical framework linking systemic transformations, regional development trajectories, and state-building processes. WSA analysis explains the restructuring of the global economy and the emergence of new dynamic centers; LAS clarifies how differences in productive structures generate divergent regional trajectories; and HI highlights the institutional capacities that enable states to direct accumulation toward industrial and technological transformation.

Rather than constituting isolated approaches, their articulation reveals a mutually reinforcing relationship in which systemic dynamics shape development opportunities, productive structures mediate them across regions, and state capacities determine the ability to sustain industrial transformation. Viewed together, these dynamics help explain the pattern of divergent convergence characterizing the contemporary global economy, including the rise of Sino-Asia as a new center of accumulation alongside persistent divergences within the GS.

On this basis, the following sections revisit each perspective sequentially, highlighting their specific contributions and limitations in addressing the guiding questions of the paper. The Arrighian and Prebischian structuralist sections introduce selected empirical indicators that

illustrate systemic and productive dynamics underpinning the consolidation of the Sino-Asian space and its differentiated trajectories vis-à-vis the GN and other regions of the GS. The HI perspective provides the qualitative analytical dimension necessary to understand how state capacities have been strategically mobilized to organize, sustain, and scale these processes over time.

**Table 1. Complementary Multilevel Framework of Global Transformation and Divergent Development**

| Analytical Level | Theoretical Tradition                                | What it Explains                                                    | Key Mechanism                                                    | Main Limitation                                                           | Analytical Transition                                            |
|------------------|------------------------------------------------------|---------------------------------------------------------------------|------------------------------------------------------------------|---------------------------------------------------------------------------|------------------------------------------------------------------|
| Global           | World-systems analysis (Wallerstein; Arrighi)        | Emergence of new centers of accumulation and systemic restructuring | Systemic cycles of accumulation (material vs financial phases)   | Does not explain divergence within the Global South                       | Leads to LAS: explains differentiated productive trajectories    |
| Regional         | Latin American structuralism (Prebisch; Furtado)     | Divergent regional development trajectories                         | Industrialization, technological upgrading, regional integration | Does not explain institutional capacity built to sustain transformation   | Leads to HI: explains state-building and coordination mechanisms |
| National         | Historical institutionalism (Evans; Skocpol; Thelen) | State capacity to direct accumulation and sustain transformation    | Coordination, discipline of capital, financial governance        | Limited systemic and multiscalar perspective (methodological nationalism) | Reconnects with WSA + LAS at the multiscalar level               |

## 2. Systemic Transformation and the Rise of Sino-Asia: An Arrighian World-Systems Perspective

Giovanni Arrighi's contributions provide a powerful analytical framework for interpreting the tectonic shifts of the twenty-first century. His long-term perspective situates contemporary transformations within the historical dynamics of the capitalist world-system, from its origins in the sixteenth century to the present. Central to this is his theorization of Systemic Cycles of Accumulation (SCA), developed in the 1990s and early 2000s. Arrighi conceptualizes capitalism as a succession of partly overlapping systemic cycles of accumulation, each broader in scope yet shorter in duration than its predecessor (Arrighi 2004:532). These cycles reveal the recurrent interaction between phases of material expansion—driven by productive investment—and

phases of financial expansion, characterized by the predominance of credit, speculation, and financial intermediation (Arrighi 1994; Arrighi and Silver 1999).

The dynamics of these cycles follow recognizable regularities. Each cycle begins with a material phase led by a hegemonic state–capital nexus that organizes production, trade, and technological innovation. Over time, accumulation tends toward overextension and declining profitability, leading capital to shift toward financial activities. Drawing on Braudel’s metaphor of the “sign of autumn” (1984:246), Arrighi interprets this turn toward finance as an indicator of systemic maturity and impending transition. These phases do not replace one another abruptly but overlap, producing turbulence and contestation within the world economy—conditions that Arrighi conceptualizes as systemic chaos (Arrighi 1994; Arrighi and Silver 1999).

This dynamic unfolds through the interaction of two interrelated logics: capital and territory. The logic of capital structures the world economy through hierarchical positions in commodity chains, generating differentiation among core, semiperipheral, and peripheral regions (Hopkins and Wallerstein 1994). The logic of territory refers to the organization of political power within the interstate system, where states seek to shape the conditions of accumulation. As Arrighi emphasizes, the key lies in the articulation between capital and territorial power, captured in his formulation of MTM’ (money–territory–money prime), through which capital expands by mobilizing state power (Arrighi 1994). This interaction underpins successive systemic cycles of accumulation and the rise and decline of hegemonic powers structuring the world-system up to the U.S.-centered cycle.

Periods of systemic transition, therefore, involve not merely disorder but the challenge to global hierarchies. During financial expansions, the leadership of the incumbent hegemon weakens as its productive advantages erode and accumulation increasingly relies on financial mechanisms. At the same time, rising regions develop new productive foundations that allow them to challenge existing hierarchies. These transitions have maintained two enduring features: the predominance of Euro-American hegemonies and the relative stability of the hierarchical interstate system (Arrighi and Drangel 1986; Karatasli 2017). Through a combination of coercion and consent in Gramscian terms, successive hegemonic powers reproduced a relatively stable core–semiperiphery–periphery order across cycles.

Arrighi’s systemic-cyclical framework has proven especially effective for interpreting the transformations triggered by the crisis of the 1970s, widely seen as a turning point in the U.S.-centered cycle of accumulation. As in previous historical transitions, this crisis emerged from processes of overaccumulation and declining profitability (Shaikh 1978; Brenner 1998; Duménil and Lévy 2011). In Arrighian terms, the crisis marked the transition from a phase of material expansion to one of financial expansion within U.S. hegemony, with financialization

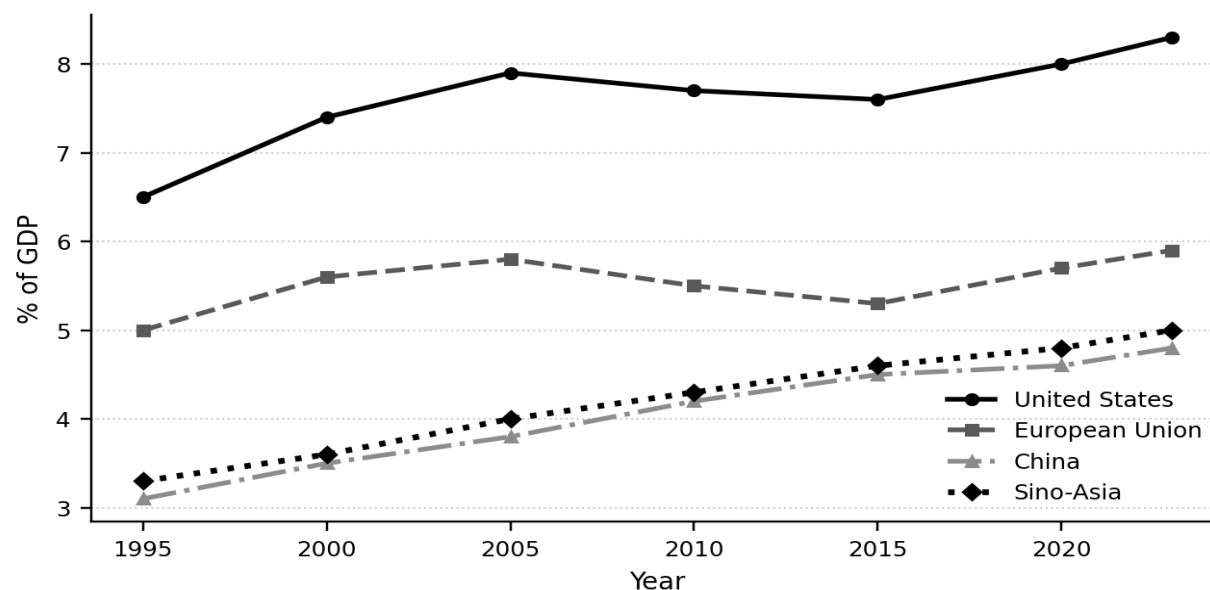
expanding rapidly while the productive foundations of the hegemonic center weakened and new sites of accumulation began to emerge elsewhere.

This transformation, central to understanding the current global transformation, is closely associated with the intensification of financialization across advanced economies. Since the late twentieth century, financial activities have expanded significantly relative to productive investment, reshaping corporate strategies, macroeconomic policy, and capital flows. The growing importance of speculative capital, shareholder value orientation, and financial rent extraction has increasingly influenced corporate behavior and economic governance (Epstein and Jayadev 2005; Krippner 2005, 2011; Lapavitsas 2013; Palma 2009).

The increasing prominence of financial activities in advanced economies can be observed in the rising weight of financial and insurance activities in national output, particularly in the United States and Europe. As Figure 1 shows, financial sectors have become central components of economic activity in these regions, reflecting the consolidation of a financial phase in the current systemic cycle. By contrast, financial activities remain comparatively less dominant in China and in the broader Sino-Asian regional formation, whose dynamics are structured around the centrality of productive accumulation.

This macro-level transformation is reinforced at the firm level (Figure 2). Financial income accounts for a significantly larger share of corporate profits in advanced economies than in China and Sino-Asia, where such activities remain more closely subordinated to productive accumulation. This contrast reflects structural differences widely documented in the literature (Krippner 2005; Lapavitsas 2013; Petry 2020; He 2022).

At the same time, the restructuring of global production accelerated the relocation of manufacturing and investment toward a Sino-Asian production space. The expansion of global value chains and the liberalization of international capital flows facilitated a large-scale reorganization of productive activity (Harvey 1989; Duménil and Lévy 2011; Milberg 2008; Milberg and Winkler 2010), intensifying capital mobility and enabling firms to relocate production to regions offering favorable conditions for industrial expansion.

**Figure 1: Financial and Insurance Activities Value Added (% of GDP)**

**Notes.** Financial and insurance activities correspond to value added of the financial sector as a share of GDP. Sino-Asia is an author-constructed regional aggregate including China, Japan, South Korea, Taiwan, and selected ASEAN economies. Values are rounded to one decimal place.

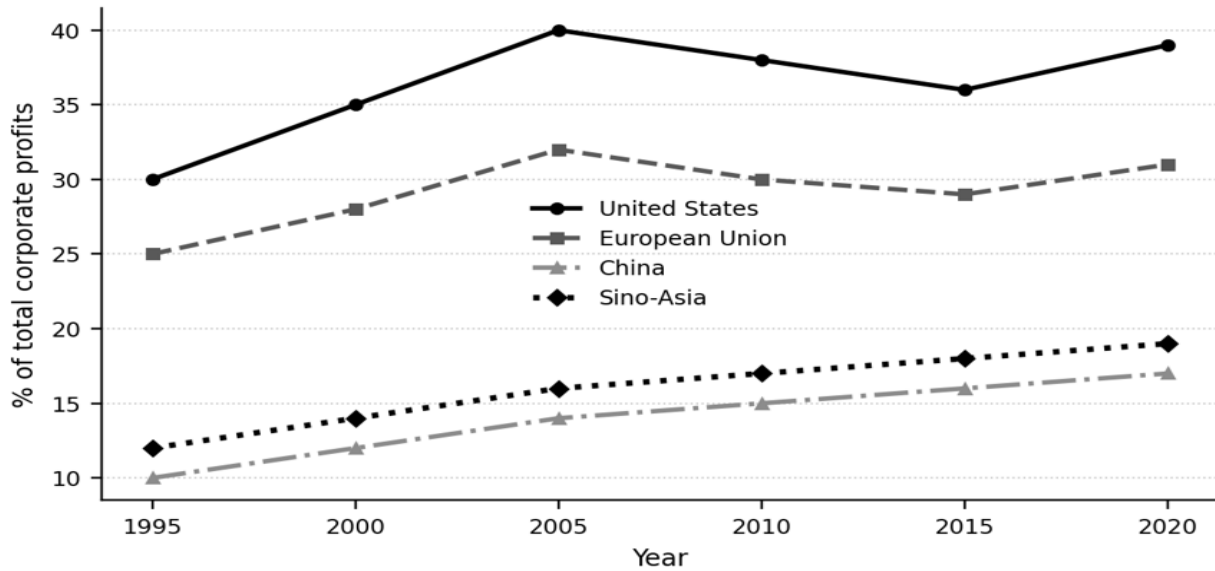
**Sources.** World Bank, World Development Indicators; OECD, National Accounts; Asian Development Bank. Author's calculations based on the sources listed above.

While industrial production did not disappear from advanced economies—particularly in the United States, where state support for innovation remains significant (Block 2008; Mazzucato 2013; Weiss 2014)—financialization nonetheless reshaped both corporate behavior and everyday economic life (Langley 2009; Martin 2002; Pellandini-Simanyi 2020). Internally, these transformations have been associated with premature deindustrialization, widening inequality, and labor market restructuring (Bluestone and Harrison 1982; Rodrik 2016; Lin and Tomaskovic-Devey 2013; Lazonick 2013). Externally, persistent current-account deficits and global financial imbalances have reinforced the structural role of financialization within the contemporary international order (Ivanova 2019).

In contrast, the Sino-Asian region experienced a profound process of productive restructuring. Since the late twentieth century, it has become the principal destination for global manufacturing relocation and a major hub of global value chains (UNIDO 2018). China, in particular, capitalizing on its demographic scale, territorial integration, and state-directed development strategies, evolved from the “world’s factory” into an increasingly influential actor within global production and technological systems (Gereffi et al. 2022). Rather than simply

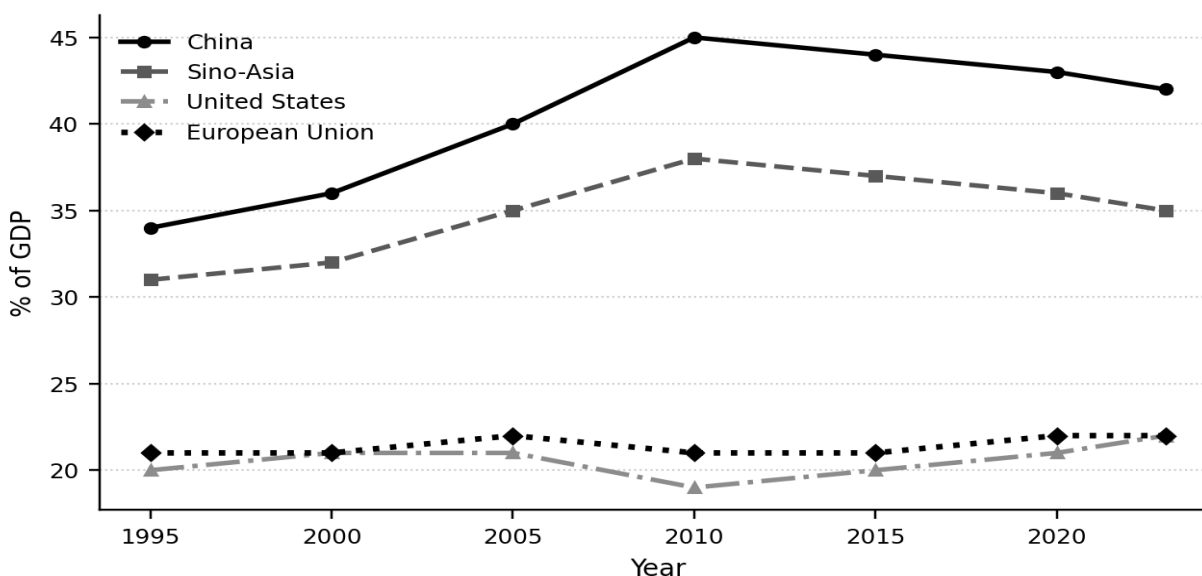
joining an existing regional dynamic, China re-centered and reorganized it, becoming the structuring core of a Sino-Asian productive formation (Fernández 2024).

**Figure 2: Financial Profits as a Share of Total Corporate Profits (%)**



**Notes.** Financialization of Non-Financial Corporations Values for China and Sino-Asia are approximate estimates and should be interpreted comparatively. Financialization is measured as the share of financial profits (interest, dividends, and capital gains) in total corporate profits of non-financial corporations (NFCs). Values for China and Sino-Asia are author-constructed proxies, based on national accounts and secondary literature, and should be interpreted as comparative approximations rather than strictly harmonized statistical series. Sino-Asia is an author-constructed regional aggregate.

**Sources.** U.S. Bureau of Economic Analysis (BEA), National Income and Product Accounts; European Central Bank (ECB), Statistical Data Warehouse; OECD, Financial Accounts; Bank for International Settlements (BIS); National Bureau of Statistics of China; Krippner (2005, 2011); Epstein (2005); Lapavistas (2013); Petry (2020); He (2022). Author's calculations and estimations based on the sources listed above.

**Figure 3: Gross Fixed Capital Formation (% of GDP)**

**Notes.** Gross fixed capital formation refers to total investment in fixed assets as a share of GDP. Sino-Asia is an author-constructed regional aggregate. Values are rounded to one decimal place.

**Sources.** World Bank, World Development Indicators; International Monetary Fund (IMF), World Economic Outlook. Author's calculations based on the sources listed above.

The persistence of high levels of productive investment across China and developing Asia reflects this configuration. As shown in Figure 3, gross fixed capital formation remains significantly higher in China and developing Asia than in the United States and the European Union, indicating the centrality of productive accumulation in the region's development trajectory. China thus appears not merely as one national case, but as the principal structuring pole of the Sino-Asian regional pattern.

These dynamics highlight a central feature of the current systemic transition: the coexistence of a financial phase centered in advanced economies and a material phase increasingly concentrated in a Sino-Asian formation. This dual configuration—financial in the GN and productive in Sino-Asia—captures the core systemic rebalancing of the contemporary global economy.

### 2.1. A Productive Pivot: China's Material Expansion and South–South Asymmetries

Building on this systemic shift, the Sino-Asian region's productive restructuring can be understood as the outcome of specific geoeconomic and geopolitical configurations, partly enabled—though not determined—by the global reorganization of production under U.S. hegemony (Choi and Glassman 2018). This process led to the consolidation of industrial regimes combining strong state coordination with hierarchical bureaucratic organization (Cumings 1984).

China's centrality within this configuration rests not only on its role as a hub of global production but on its capacity to combine internal transformation with external integration (Zhang et al. 2020), progressively gaining control over strategic segments of global value chains. This process involved both increasing autonomy vis-à-vis domestic capital and growing external autonomy within the interstate system, distinguishing it from earlier East Asian experiences (Fernández 2024).

Through initiatives such as the Belt and Road Initiative, China has expanded its global reach despite rising protectionist pressures (Wang et al. 2024; Lin 2022), prioritizing regional trade, infrastructure, and manufacturing investment (Bharti and Kumari 2024; Wihardja and Low 2025), thereby contributing to the reactivation of a historically grounded Sino-Asian regional leadership (Sugihara 2005).

Unlike the financialization observed in the GN, this configuration reflects a renewed material phase underpinned by the subordination of financial capital to productive accumulation. China has explicitly pursued this orientation, promoting multi-tier financial systems, patient capital, and innovation-driven enterprises (CPPCC 2024). While expanding capital markets, financialization in China remains embedded within state oversight rather than liberalized financial dominance (Petry 2020), with efforts to reduce speculative dependence among non-financial firms (He 2022).

The redirection of finance toward productive accumulation has sustained higher growth rates than in advanced economies, consolidating China's position as the world's leading manufacturing power (Brent 2020). Through this production-centered configuration, China has acted as the central engine of accumulation within Sino-Asia, driving both regional integration and global expansion through intensified South–South linkages.

However, these linkages are marked by internal asymmetries (Frankema 2024; Fernández and Moretti 2020). The divergence within the GS—coexisting with broader convergence with the North—emerges both within countries (Horner and Hulme 2017) and across regions, particularly between the Sino-Asian productive core and other parts of the GS. This dimension raises questions that cannot be fully addressed at the world-systemic level, thereby motivating the structuralist and institutional analyses developed in the following sections.

### **3. Productive Structures and Divergent Development: Insights from Latin American Structuralism**

While the Arrighian framework helps explain the systemic conditions that enabled the emergence of a Sino-Asian formation as a new pole of accumulation dynamizing the GS, it does not fully account for the structural factors shaping uneven development within the GS.

Sino-Asia—led by China—has sustained significantly higher growth rates than both advanced economies and other regions of the GS, particularly Latin America and Africa (Figure 4).

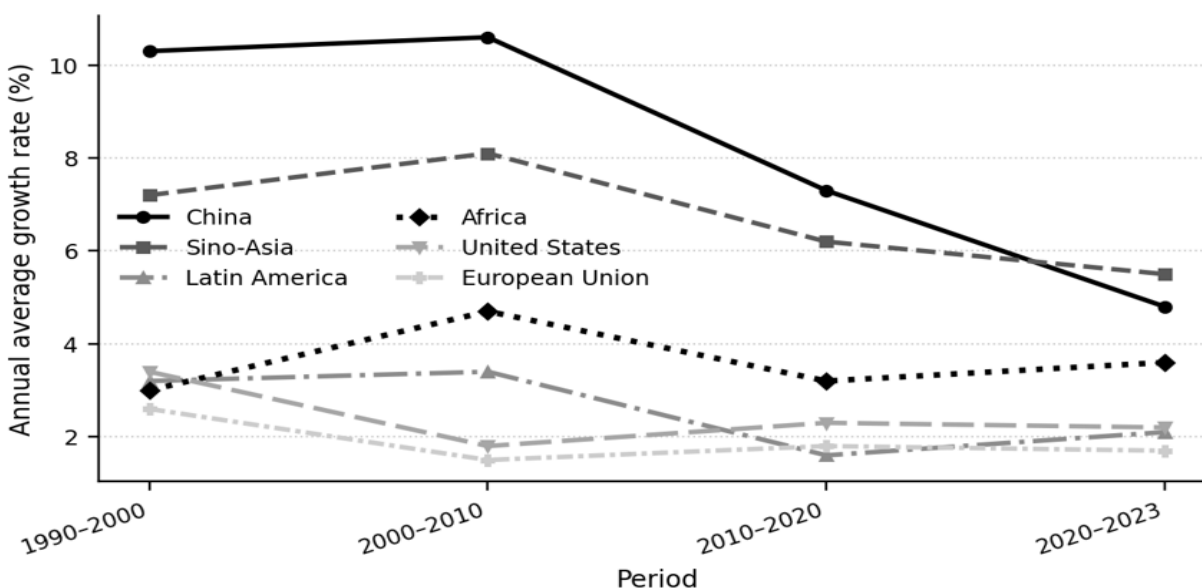
**Table 2: Annual Average GDP Growth Rate (%) by Region (1990–2023)**

| Period    | China | Sino-Asia | Latin America | Africa | United States | European Union |
|-----------|-------|-----------|---------------|--------|---------------|----------------|
| 1990–2000 | 10.3  | 7.2       | 3.2           | 3.0    | 3.4           | 2.6            |
| 2000–2010 | 10.6  | 8.1       | 3.4           | 4.7    | 1.8           | 1.5            |
| 2010–2020 | 7.3   | 6.2       | 1.6           | 3.2    | 2.3           | 1.8            |
| 2020–2023 | 4.8   | 5.5       | 2.1           | 3.6    | 2.2           | 1.7            |
| 1990–2023 | 8.3   | 6.8       | 2.6           | 3.6    | 2.4           | 1.9            |

**Notes.** Values represent period averages of annual GDP growth rates. Sino-Asia is an author-constructed regional aggregate led by China and including emerging economies in East and Southeast Asia. All values are rounded to one decimal place. The 1990–2023 value corresponds to the simple average of the period averages and should be interpreted as indicative of long-term structural trends.

**Sources.** International Monetary Fund (IMF), World Economic Outlook; World Bank; United Nations Department of Economic and Social Affairs (UN DESA). Author’s calculations based on the sources listed above.

**Figure 4: GDP Annual Average Growth Rate (%) by Region**



**Notes.** Values represent period averages of annual GDP growth rates. Sino-Asia is an author-constructed regional aggregate led by China and including emerging economies in East and Southeast Asia. All values are rounded to one decimal place. Figure 4 presents the four sub-period averages; the summary value for 1990–2023 is reported in Table 2 main text only.

**Sources.** International Monetary Fund (IMF), World Economic Outlook; World Bank; United Nations Department of Economic and Social Affairs (UN DESA). Author's calculations based on the sources listed above.

This pattern reflects a process of divergent convergence: while parts of the GS have narrowed the gap with advanced economies, persistent asymmetries have deepened within it. Explaining these trajectories requires shifting the analytical focus beyond systemic dynamics to productive structures, technological capabilities, and development strategies in shaping long-term development paths. Here, the analytical contributions of Latin American Structuralism (LAS) become particularly relevant.

### **3.1. Explaining the GS Material Face and Its Internal Divergences from the Latin American Structuralist (LAS) Lens**

The original and innovative contributions of LAS provide valuable tools for addressing these questions, in complementarity with Arrighi's world-systems perspectives. By 2004, as the Sino-Asian region was consolidating its role as the dynamic systemic center, Latin America remained peripheral to global economic transformations. At this juncture, MIT economist Alice H. Amsden explicitly linked East Asia's industrial strategies to structuralist thought in her article "Import substitution in high-tech industries: Prebisch lives in Asia!" (Amsden 2004). This formulation underscores the enduring relevance of Raúl Prebisch's insights—particularly those rooted in LAS—regarding the importance of import substitution industrialization (ISI) as a strategy to upgrade productive structures, foster technological change, and reduce dependency.

The rationale lies in broader systemic and historical-structural factors. Prebisch and the structuralist tradition—including Aníbal Pinto, Celso Furtado, and José Medina Echavarría—combined a systemic perspective with a historically grounded analysis capable of capturing the specific conditions shaping core-periphery relations (Bielschowsky 1998). This approach highlights the emergence of unequal productive structures whose interrelations explain both the persistence of peripheral conditions and divergent trajectories within the GS<sup>2</sup>.

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<sup>2</sup> The focus on Prebischian Latin American structuralism is deliberate, since its emphasis on state intervention, industrialization with technological upgrading, productive heterogeneity, and regional integration provides the most direct bridge to the systemic and institutional dimensions developed here. The article also draws on Cardoso and Faletto to address the articulation between external dependence and domestic social and political structures. Other dependency approaches, particularly those of Dos Santos, Marini, Bamberger, and Gunder Frank, offer important interpretations of peripheral reproduction, class relations, and the articulation between domestic and

### 3.2. Unequal Productive Structures and Peripheral Dynamics

From the Prebischian perspective—and LAS more broadly—unequal and hierarchically connected productive structures emerge from historical disparities in the generation and control of technology, especially industrial technology. These disparities produce unequal capacities to appropriate the benefits of technical progress (Prebisch 1949; 1963; 1981), generating persistent asymmetries in productivity growth across sectors, countries, and regions, reinforcing core–periphery structures that trap peripheral economies in cycles of low income and inequality.

Core economies tend to develop relatively homogeneous and diversified productive structures, where modern techniques diffuse broadly across sectors, enabling sustained productivity gains. Peripheral economies, by contrast, remain structurally heterogeneous, combining modern export-oriented enclaves—often based on natural resources—with large segments of low-productivity activities (CEPAL 1951). Aníbal Pinto’s concept of structural heterogeneity is central here: modern, dynamic sectors coexist with traditional and stagnant ones, reproducing internal inequalities that constrain growth and limit innovation (Pinto 1970). These structural gaps are reflected in fragmented labor markets and weak intersectoral linkages, as dynamic sectors often fail to integrate with the broader domestic economy.

Elite consumption patterns reinforce these constraints. As emphasized by Prebisch (1963; 1976b; 1980; 1981) and Furtado (1965; 1971), the emulation of consumption patterns from advanced economies tends to divert surplus away from productive investment, reinforcing external dependency and limiting endogenous accumulation.

### 3.3. Overcoming Internal Constraints and International Insertion from the Periphery

In this context, Prebisch introduced the concept of the “dynamic insufficiency” of the periphery, highlighting how external dependency and internal structural heterogeneity become embedded in asymmetric power relations (Prebisch 1963; 1981). The imbalance between center and periphery generates a contradictory and conflictive environment (Prebisch 1976; Fernández and Ormaechea 2021), posing a central challenge: transforming productive structures from within.

This transformation requires the development of endogenous industrialization processes—both national and macro-regional—capable of reducing technological gaps while strategically engaging with the global economy (Prebisch 1963). However, due to entrenched external linkages and internal structural constraints (Cardoso and Faletto 1979), many peripheral

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foreign capital. A systematic comparison with these rich and heterogeneous dependency traditions lies beyond the scope of this article.

economies remain locked into low-complexity production structures and exhibit limited capacity to generate autonomous accumulation dynamics.

Overcoming these constraints is therefore essential to building an economic base capable of reversing peripheral status. From a structuralist perspective, this implies not only expanding industrial and technological capacity but also articulating it with broader spatial scales, particularly through regional integration, as a necessary condition for sustaining structural change.

### 3.4. Regional Integration and Endogenous Industrialization as Strategic Drivers of Transformation

Based on its diagnostic framework, LAS formulated a development strategy centered on transforming productive structures and achieving greater autonomy. Notably, this strategy—originally conceived for Latin America—found its most complete realization in the Sino-Asian region.

LAS's methodological approach emphasizes the historical specificity of socio-productive structures (Furtado 1959; Boianovsky 2015; Bielschowsky 1998) and the interaction between endogenous processes and systemic dynamics (Furtado 1959; Cardoso and Faletto 1979). This perspective helps explain why some regions—most notably Sino-Asia under China's leadership—were able to consolidate relatively autonomous accumulation spaces, while others remained structurally dependent.

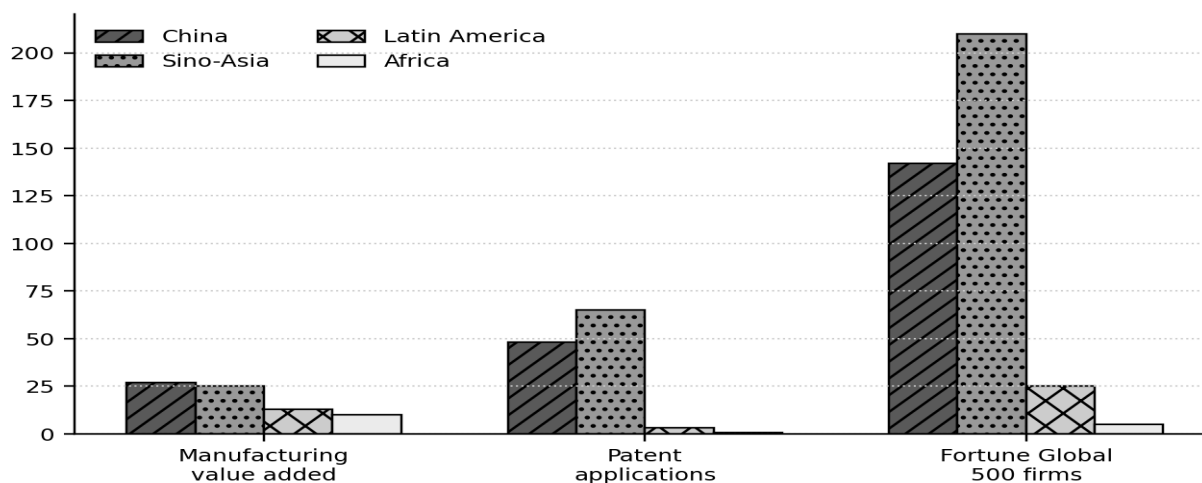
**Table 3: Industrial-Technological Leadership Indicators;  
Manufacturing Share, Patent Activity, and Leading Firms by Region (c. 2020–2023)**

| Indicator                              | China | Sino-Asia | Latin America | Africa | Reference year    |
|----------------------------------------|-------|-----------|---------------|--------|-------------------|
| Manufacturing value added (% GDP)      | 27.0  | 25.0      | 13.0          | 10.0   | 2022              |
| Patent applications (share of world %) | 48.0  | ~65       | ~3            | <1     | Average 2019–2022 |
| Fortune Global 500 firms               | 142   | ~210      | ~25           | ~5     | 2023              |

**Notes.** Manufacturing share refers to manufacturing value added as a percentage of GDP. Patent activity corresponds to share of global patent applications. Leading firms are measured by the number of companies listed in the Fortune Global 500. Sino-Asia values are approximate author-constructed aggregates. Values refer to recent years (approximately 2020–2023) and are rounded for comparability.

**Sources.** World Bank; United Nations Industrial Development Organization (UNIDO); World Intellectual Property Organization (WIPO); Fortune Global 500. Author's calculations based on the sources listed above.

**Figure 5: Manufacturing Share, Patent Activity, and Leading Firms by Region (2020–2023)**



**Notes.** Industrial-Technological Leadership Indicators are not directly comparable and are presented to illustrate relative regional positions. Manufacturing share refers to manufacturing value added as a percentage of GDP. Patent activity corresponds to share of global patent applications. Leading firms are measured by the number of companies listed in the Fortune Global 500. Sino-Asia values are approximate author-constructed aggregates. Values refer to recent years (approximately 2020–2023) and are rounded for comparability.

**Sources.** World Bank; United Nations Industrial Development Organization (UNIDO); World Intellectual Property Organization (WIPO); Fortune Global 500. Author's calculations based on the sources listed above.

Within this framework, LAS conceives state intervention, industrialization with technological upgrading, and regional integration not as isolated processes but as mutually reinforcing dimensions of a single strategic triangle (Fernández 2024). State intervention provides the strategic direction and coordination required to orient productive transformation; industrialization with technological upgrading expands and diversifies the productive base while enabling movement toward higher value-added activities; and regional integration provides the scale, complementarities, and enlarged markets necessary to sustain and deepen these processes.

From this perspective, divergence within the GS can be further clarified by examining the structural configurations underpinning these dimensions to show that the rise of Sino-Asia has been driven not merely by higher output levels but by the consolidation of a more endogenous industrial-technological core. Latin America and Africa, by contrast, continue to exhibit weaker positions in manufacturing, innovation, and firm-level capabilities, reinforcing their subordinate roles within the global economy.

However, this industrial-technological base cannot be understood in isolation. Its consolidation and scaling are deeply intertwined with the degree of regional integration, which functions as a key enabling condition for the expansion and articulation of productive capacities.

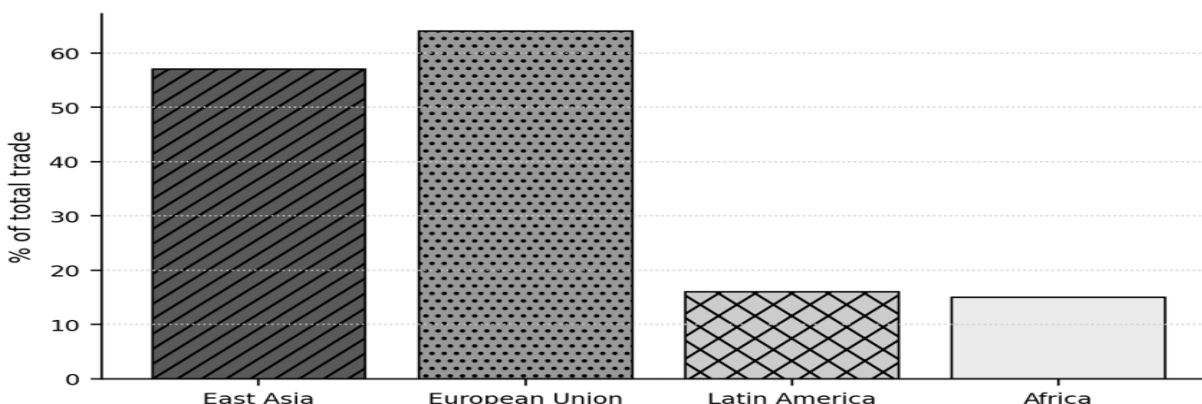
**Table 4: Intra-Regional Trade Share  
(% of Total Trade), Selected Regions (Recent Period Averages, c. 2018–2022)**

| Region         | Intra-regional trade share (% of total trade) |
|----------------|-----------------------------------------------|
| East Asia      | 57.0                                          |
| European Union | 64.0                                          |
| Latin America  | 16.0                                          |
| Africa         | 15.0                                          |

**Notes.** Intra-regional trade is measured as the share of total exports and imports occurring within the same region. Values correspond to recent multi-year averages (approximately 2018–2022) to smooth short-term fluctuations. Sino-Asia/East Asia figures reflect production-network integration centered on China.

**Sources.** UNCTADstat; World Trade Organization (WTO); Asian Development Bank (ADB); ECLAC. Author's calculations based on the sources listed above.

As shown in Figure 6, intra-regional trade levels differ markedly across regions, reflecting distinct degrees of economic articulation. While intra-regional trade in East Asia reaches approximately 55–60%—driven by dense production networks centered on China—the European Union exceeds 60%, whereas Latin America and Africa remain at significantly lower levels (around 15–20%). This contrast highlights the importance of regional integration as a mechanism for scaling industrialization, deepening productive linkages, and enabling cumulative technological learning.

**Figure 6: Intra-Regional Trade Share**

**(% of Total Trade), Selected Regions (Recent Period Averages, c. 2018–2022)**

**Notes.** Intra-regional trade is measured as the share of total exports and imports occurring within the same region. Values correspond to recent multi-year averages (approximately 2018–2022) to smooth short-term fluctuations. Sino-Asia/East Asia figures reflect production-network integration centered on China.

**Sources.** UNCTADstat; World Trade Organization (WTO); Asian Development Bank (ADB); ECLAC. Author's calculations. See Table 4 for underlying data.

Macro-regional integration constitutes a central element of structuralist thinking, identified as a key condition for overcoming scale limitations in the periphery (Prebisch 1959). These ideas were effectively implemented in East Asia, initially under Japanese leadership and later re-centered around China. Through processes combining ISI, FDI with technology transfer, and domestic innovation, the region developed a complex manufacturing base and became a central node in global value chains (Kojima 2000; Gereffi et al. 2022). Building on this trajectory—but with greater external autonomy under China's leadership—the Sino-Asian experience illustrates the structuralist proposition that industrialization and regional integration are not sequential but co-constitutive processes: integration reinforces industrialization by expanding markets and coordinating production networks, while industrialization gives substantive content to integration by generating dense intersectoral linkages.

This trajectory contrasts sharply with Latin America and Africa, where integration processes remained limited and industrialization was often incomplete or externally dependent. Following the structural adjustments of the late twentieth century, these regions experienced premature deindustrialization and increased exposure to financial volatility (Palma 2019; Fernández 2024).

### 3.5. Uneven Capitalization of the Material Phase

Thus, although the GS has become more dynamic and interconnected in the twenty-first century, its capacity to capitalize on the current systemic transformation remains highly uneven. The material phase associated with the crisis of U.S. hegemony has not generated uniform convergence, but rather a differentiated pattern in which a Sino-Asian formation has emerged as a new pole of accumulation, while other regions remain constrained by structural limitations.

From a Latin American structuralist perspective, this outcome is not accidental. It reflects historically rooted differences in productive structures, technological capabilities, and the degree of articulation between industrialization and regional integration as mutually reinforcing processes. LAS thus provides a crucial analytical lens for explaining why the material phase consolidated in Sino-Asia—under China’s leadership—while remaining largely unattainable in Latin America and Africa, which continue to be more deeply integrated into the financialized dynamics of the global economy.

However, while LAS identifies the strategic complementarity between industrialization, technological upgrading, and regional integration as the core mechanism for overcoming peripheral constraints, it leaves open the question of the institutional mechanisms—particularly state capacity—through which these processes are organized and sustained—an issue addressed in the following section.

## 4. Integrating a Historical Institutional (HI) Approach

While LAS highlights the complementarity between industrialization, technological upgrading, and regional integration, it does not fully explain which institutional configurations enable their articulation and long-term sustainability. This gap points to a central issue: how these interdependent processes are coordinated and scaled within specific national and regional contexts. Addressing this requires incorporating a historical institutionalist perspective that foregrounds state capacity as the key mechanism linking these dynamics to broader systemic transformations.

From this perspective, the core question is not only why Sino-Asia succeeded, but how it sustained a regionally integrated industrial and technological trajectory over time. Which institutional conditions enabled this process, and how do they connect to systemic transformations? To what extent did state-centered structures enable consolidation and differentiation from other GS regions, particularly in strengthening Regional Value Chains (RVCs) and enabling greater control over Global Value Chains (GVCs)?

Although Sino-Asia benefited from U.S. hegemonic support, its long-term development depended equally on endogenous institutional conditions, particularly state-building processes capable of organizing and directing capital accumulation across scales. This internal state

dimension—still underexplored by WSA and LAS—is central to HI, which converges partially with Sociological Institutionalism (SI) and diverges from Rational Choice approaches (Hall and Taylor 1996; Thelen 1999).

Both HI and SI emphasize how institutions shape actors and their contexts (Thelen and Steinmo 1992; Zysman 1994). Yet HI is distinguished by two key propositions: institutions emerge from domestic processes that shape external economic policy, captured in Katzenstein's (1976) notion of the "externalization of domestic structures," and the state—embedded within these structures—is conceptualized as a relatively autonomous institutional actor capable of shaping development trajectories (Skocpol 1985; Skocpol and Weir 1985; Mann 1984), explaining cross-national variation in state capacity.

This perspective enables comparative analyses of development trajectories, particularly through the contributions of Evans and Kohli. Evans (1995) highlights the combination of Weberian bureaucratic capacity and embeddedness in productive sectors, enabling coordination and disciplining of capital, while Kohli (2004) identifies cohesive-capitalist states as those capable of sustaining industrialization through centralized authority combined with controlled decentralization, in contrast to fragmented or neopatrimonial configurations.

Both reject purely top-down views, emphasizing how "domestic structures" emerge from historically specific state-society interactions (Jessop 1990). Similarly, Migdal's (1988) "state-in-society" framework highlights how societal pressures can fragment or reinforce state authority. In the Sino-Asian case, however, this relationship has tended to favor strong states capable of structuring social actors and enabling sustained coordination of industrial, financial, and technological strategies.

From an HI perspective, what distinguishes successful trajectories is not simply state presence, but the configuration of state capacity: centralized yet internally differentiated bureaucracies capable of coordinating decentralized actors while maintaining strategic control over capital and finance. This includes the ability to discipline private capital and channel credit toward long-term productive objectives—features particularly visible in the Sino-Asian experience.

Building on this, the Sino-Asian trajectory—led by China—reveals a configuration of state capacity that extends beyond classical HI insights. Rooted in a long tradition of meritocratic administration and a "civilization-state" combining centralized authority with decentralized implementation (Arrighi 2007; Naughton 2021; Bell 2015), China has developed a multiscalar state capacity operating across national, regional, and global scales.

A crucial innovation lies in the construction of a regional economic space as part of its development strategy. Rather than passively integrating into global markets, China has actively reshaped its historical Sino-Asian formation, embedding production networks, trade, and

infrastructure within a framework of state-directed accumulation (Sugihara 2005; Hamashita 2008; Beeson 2007), thereby scaling industrialization and technological upgrading beyond the national level.

This multiscalar capacity is reinforced by a distinctive mode of capital control. Through state-owned enterprises in strategic sectors and a predominantly bank-based financial system—complemented by state-guided capital markets—China has developed mechanisms to discipline and direct financial capital (Petry 2020; Gruin 2020; Pearson et al. 2021; Naughton 2021; Ang 2016; Huang 2008), enabling strategic credit allocation to priority sectors. In line with earlier East Asian developmental experiences (Amsden 2001; Wade 1990; Chang 2002), finance remains subordinated to long-term industrial and technological objectives.

Here, state capacity emerges as a key explanatory factor. It is best understood not only as institutional strength but as the ability to organize, discipline, and scale accumulation across multiple spatial levels, linking domestic structures, regional integration, and global positioning. This extends Katzenstein's (1976) concept by situating domestic structures within a multiscalar framework in which they are actively rearticulated through regional and global strategies.

#### **4.1. Conceptual Contributions, Limitations, and Complementarities**

Building on the preceding discussion, the historical institutionalist (HI) approach helps specify the institutional mechanisms through which state capacity is constructed and deployed, clarifying how industrialization, technological upgrading, and regional integration are articulated and sustained over time.

By incorporating the state as a core analytical category and engaging with East Asian experiences, HI underscores the importance of state-building processes in explaining heterogeneous development trajectories across the GS (Evans 1995; Haggard 1990; Kohli 2004). Within this tradition, interactions between state formation and domestic structures—through cumulative feedback mechanisms—shape the capacity of states to guide industrial transformation. This occurs through forms of “embedded autonomy” (Evans 1995) and “governed interdependence” (Weiss 1995), as well as through the ability to discipline capital, channel credit, and orient financial circuits toward long-term productive accumulation (Amsden 1989; Chibber 2003).

As discussed above, these mechanisms become particularly salient in the Sino-Asian experience, where state capacity operates through the strategic orientation of accumulation toward industrial and technological upgrading. A key institutional mechanism is the active direction of the financial system, predominantly organized along bank-based lines. In contrast to market-based systems—where capital allocation is driven by short-term

profitability—bank-based systems enable states to influence the direction, scale, and composition of investment (Zysman 1983).

As shown by Amsden (1989) and Wade (1990), credit allocation has been politically governed, operating as a mechanism to discipline firms and channel resources toward strategic sectors. Finance thus functions not as an autonomous sphere, but as an institutional lever oriented toward industrial and technological upgrading. This dynamic has been further deepened under China's centrality (Gruin 2020; Petry 2020), where the party-state has relied on bank-based mechanisms to allocate credit strategically, prioritize industrial sectors, and sustain long-term investment cycles.

Two dimensions help explain this configuration in the Sino-Asian space: the state's capacity to discipline and direct capital at both domestic and international levels and the construction of relative autonomy within the interstate system. This configuration reflects long-term institutional consolidation rooted in meritocratic recruitment (Bell 2015), high intra-state cohesion, and a distinctive combination of centralization with decentralized implementation (Heilmann 2018).

Within this trajectory, China introduces a qualitative shift in the East Asian experience. Rather than reproducing subordinated integration, it combines the subordination of capitalist dynamics to state-directed developmental objectives with expanding autonomy in the interstate system. As emphasized by Arrighi (2007), this reflects a historically distinctive configuration in which state power has retained the capacity to organize and direct accumulation.

This dual condition—internal organizational coherence and external strategic positioning—can be understood through the articulation of domestic institutional structures and external economic policy (Katzenstein 1976), as well as through the expansion of room for maneuver within a U.S.-centered global order (Beeson 2007). Together, these elements enabled the state not only to discipline capital domestically but also to extend that capacity beyond the national scale, structuring regional accumulation.

However, when considered in isolation, HI remains limited by its focus on the national scale. Its emphasis on domestic structures—often associated with methodological nationalism—tends to underplay how state capacities are conditioned by broader systemic dynamics, including global production networks and interstate hierarchies. At this point, Arrighian world-systems analysis becomes indispensable, as it situates state strategies within historically evolving cycles of accumulation and asymmetric interstate relations that shape the distribution of power and development opportunities. At the same time, LAS highlights how these systemic constraints are mediated through regionally specific productive structures, patterns of specialization, and forms of external insertion that condition the scope for autonomous development strategies.

Taken together, these perspectives reveal that state capacities are not only domestically constructed but are also shaped—and often constrained—by the interaction between systemic

hierarchies and structurally differentiated forms of integration into the global economy. This limitation becomes particularly evident when considering how external actors shape domestic institutional trajectories. Empirical evidence shows that structural adjustment programs promoted by international financial institutions have systematically weakened bureaucratic quality and eroded state capacity in developing countries, thereby constraining their ability to pursue autonomous development strategies (Reinsberg et al. 2019).

#### **4.2. From Limitations to Complementarities**

Arrighian WSA situates state capacities within systemic hierarchies shaped by hegemonic power and the organization of global production through transnational networks and value chains. Each Systemic Cycle of Accumulation (SCA) reproduces a spatial order—core, semi-periphery, and periphery—that conditions development opportunities and constraints.

Within this framework, state capacity operates through three interrelated dimensions: interstate relations shaped by geopolitical competition, insertion into global commodity chains, and macro-regional trajectories linked to internal institutional cohesion. Here, as emphasized by LAS, productive structures, technological capabilities, and regional integration become central in shaping development trajectories. State capacity is therefore exercised within a contested interstate system in which access to markets, technologies, and financial resources is uneven and politically mediated.

As the preceding sections have shown, the effectiveness of state capacity depends not only on internal institutional organization, but also on its articulation with productive structures, regional integration, and systemic hierarchies. In the Sino-Asian case, bank-based finance and state-directed credit enabled a sustained alignment between financial accumulation and productive-technological transformation, in contrast to both the financialized trajectories of the GN and weaker financial-productive articulation in other regions of the GS.

These dynamics help explain the consolidation of a Sino-Asian formation. While favorable geopolitical conditions under U.S. hegemony facilitated development, their effects were mediated by cohesive state structures, meritocratic bureaucracies, and institutional capacities to organize and direct capital accumulation (Evans 1995; Kohli 2004). East Asian states relied on “pilot agencies” (Johnson 1982) embedded in dense institutional networks (Woo-Cumings 1999), facilitating coordinated industrialization with limited fragmentation within a U.S.-centered order that both enabled and constrained their trajectories.

Within this broader Sino-Asian trajectory, China’s rise both builds upon and transforms these dynamics by exhibiting a distinctive form of state capacity. This includes a historically unusual degree of autonomy vis-à-vis capital, reflected in the absence of a trajectory in which capital and capitalists came to dominate the state (Arrighi 2007). This has endowed the state with

the capacity to strategically organize, discipline, and direct capital across sectors and scales, aligning financial resources, industrial policy, and regional integration while allowing China not only to guide industrial upgrading but also to retain strategic control over the direction of accumulation.

In contrast to both the financialized trajectories of the GN and the more constrained state capacities observed across much of the GS, this configuration reflects a distinctive ability to subordinate financial dynamics to long-term productive transformation. On this basis, China's trajectory challenges conventional "flying geese" assumptions by combining industrial upgrading with the retention of manufacturing capabilities, reinforcing its position across multiple segments of global production (Abimbola 2026). This has fostered a Sino-Asian configuration in which industrial upgrading, regional integration, and global production functions reinforce each other rather than unfolding sequentially (Baldwin 2016; Gereffi et al. 2022).

This multiscalar configuration has facilitated stronger regional value chains and a more coordinated integration into global value chains, articulating industrial upgrading, technological development, and macro-regional integration with global economic projection.

In contrast, Latin American trajectories followed a markedly different path. While East Asian development combined favorable systemic conditions with cohesive state structures and meritocratic bureaucracies that enabled sustained coordination between state and capital (Evans 1995; Kohli 2004), Latin American state-building processes were more fragmented and often shaped by patrimonial and weakly institutionalized structures (Centeno 2003; Mazzuca 2021), limiting the capacity to coordinate economic actors and sustain long-term development strategies.

Moreover, unlike East Asia, Latin America did not benefit from a comparable form of "geopolitics of development by invitation" (Fernández 2024), but instead evolved under more adverse geopolitical and geoeconomic conditions. In this context of internal and external state weakness, the expansion of transnational capital since the 1970s, together with structural adjustment programs promoted by international financial institutions, contributed to the erosion of bureaucratic quality and state capacity (Reinsberg et al. 2019), reinforcing a dynamic in which external constraints and internal weaknesses mutually reproduced each other.

As a result of these weak state capacities, industrialization and technological upgrading processes were truncated (Fajnzylber 1983), regional integration remained limited (Pastrana Buelvas 2013), and the endogenous articulation between finance and production weakened, reinforcing a subordinate and re-primarized integration into global value chains (Lauxmann et al. 2021) and constraining the capacity to capitalize on the emerging material phase of systemic change.

In sum, integrating WSA, LAS, and HI shows that the emergence of Sino-Asia as a new pole of accumulation—and the divergent convergence now unfolding—results not only from systemic shifts but from the articulation between hierarchical global dynamics (WSA), differentiated productive configurations and regional integration (LAS), and historically constructed state capacities (HI). State capacity constitutes the critical link connecting these dimensions and explaining divergent development trajectories within the GS.

### **Conclusion**

The twenty-first century introduces a distinctive feature in the analysis of systemic transformation: the simultaneous unfolding of two intertwined processes. On the one hand, a relative convergence between the GN and parts of the GS has narrowed development gaps, driven by the renewed dynamism of emerging economies. On the other hand, divergence within the GS has intensified, particularly with the rise of a Sino-Asian formation that both challenges the historical dominance of the GN and deepens asymmetries vis-à-vis other GS regions.

This dual dynamic—best understood as a process of divergent convergence—raises key questions: why has Sino-Asia emerged as a new pole of accumulation, and what explains this widening divergence? From an Arrighian perspective, these transformations reflect the reconfiguration of systemic cycles of accumulation. While the GN remains anchored in a mature financial phase, Sino-Asia has capitalized on a renewed material phase, characterized by the subordination of financial capital to productive accumulation. This dynamic has enabled relative convergence at the global level while simultaneously generating new and persistent hierarchies within the GS.

LAS, particularly in its Prebischian tradition, helps identify the structural conditions underlying this process. Its emphasis on the strategic articulation between a directive state, industrial-technological upgrading, and regional integration—the core development triangle—provides a framework to understand how some regions can overcome peripheral constraints. Notably, although originally formulated in Latin America, this triad found its most consistent and sustained realization in Sino-Asia.

HI clarifies why. By focusing on the historical construction of state capacity, institutional configurations, and political coalitions, HI explains how certain national trajectories were able to organize, discipline, and direct capital accumulation over time. It highlights the importance of state capacities capable of coordinating decentralized actors while retaining strategic control over financial systems and capital flows, and of scaling accumulation across national, regional, and global levels in a sustained manner.

This paper argues that the uneven emergence of the GS can only be explained through the interaction between systemic dynamics, productive structures, and state capacity. State capacities

are not only internally constructed but are also shaped—and often constrained—by their insertion within hierarchical global dynamics, including the influence of transnational capital and international financial institutions. At the same time, their effectiveness depends on the ability to mediate these systemic pressures through cohesive institutional configurations and strategic coordination mechanisms.

Neither systemic conditions (WSA) nor structural configurations (LAS), nor institutional dynamics (HI) alone can fully explain contemporary macro-regional divergence. Rather, it is their interaction that accounts for the emergence of a Sino-Asian formation as a new pole of accumulation. State capacity as a multiscalar coordinating mechanism emerges as the key link between systemic transformation and divergent development trajectories within the GS.

This integrated WSA–LAS–HI framework also clarifies why other regions, particularly Latin America and Africa, have been less able to capitalize on the current systemic transition. In these cases, weaker institutional configurations, fragmented state–society relations, and limited macro-regional integration have constrained the consolidation of autonomous industrial-technological bases, reinforcing their subordinate insertion within the global economy.

These findings open several avenues for future research. First, applying this integrated framework to other regions of the GS may further illuminate the persistence of divergent development paths. Second, as Sino-Asia continues to consolidate its industrial, technological, and regional integration strategies, future research should examine how shifts in global financial and technological cycles reshape GN–GS and intra-GS relations. Third, greater attention to the interplay between evolving state capacities, domestic industrial and technological bases, and regional integration will be crucial to understanding both the limits and possibilities of development in the emerging global order. A further line of research should place the proposed WSA–LAS–HI framework in more explicit dialogue with the heterogeneous traditions of Latin American dependency theory, assessing their convergences and differences in explaining the reproduction of peripheral structures, state–capital relations, and contemporary patterns of South–South divergence.

**Acknowledgments:** This research was conducted during the author's research stay as a recipient of the FLAUC Visiting Scholar Program at Fudan University, China, in 2025. The author gratefully acknowledges the support provided through the program.

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**Disclosure Statement:** Any conflicts of interest are reported in the acknowledgments section of the article's text. Otherwise, authors have indicated that they have no conflict of interests upon submission of the article to the journal.

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## APPENDIX

**Table 1: Financial and Insurance Activities:**

| Year | United States | European Union | China | Sino-Asia |
|------|---------------|----------------|-------|-----------|
| 1995 | 6.5           | 5.0            | 3.1   | 3.3       |
| 2000 | 7.4           | 5.6            | 3.5   | 3.6       |
| 2005 | 7.9           | 5.8            | 3.8   | 4.0       |
| 2010 | 7.7           | 5.5            | 4.2   | 4.3       |
| 2015 | 7.6           | 5.3            | 4.5   | 4.6       |
| 2020 | 8.0           | 5.7            | 4.6   | 4.8       |
| 2023 | 8.3           | 5.9            | 4.8   | 5.0       |

**Value Added (% of GDP), United States, European Union, China, and Sino-Asia**

**Notes.** Financial and insurance activities correspond to value added of the financial sector as a share of GDP. Sino-Asia is an author-constructed regional aggregate including China, Japan, South Korea, Taiwan, and selected ASEAN economies. Values are rounded to one decimal place.

**Sources.** World Bank, World Development Indicators; OECD, National Accounts; Asian Development Bank. Author's calculations based on the sources listed above.

**Table 2: Financialization of Non-Financial Corporations:**

| Year | United States | European Union | China | Sino-Asia |
|------|---------------|----------------|-------|-----------|
| 1995 | 30.0          | 25.0           | 10.0  | 12.0      |
| 2000 | 35.0          | 28.0           | 12.0  | 14.0      |
| 2005 | 40.0          | 32.0           | 14.0  | 16.0      |
| 2010 | 38.0          | 30.0           | 15.0  | 17.0      |
| 2015 | 36.0          | 29.0           | 16.0  | 18.0      |
| 2020 | 39.0          | 31.0           | 17.0  | 19.0      |

**Financial Profits as a Share of Total Corporate Profits (%)**

**Notes.** Financialization is measured as the share of financial profits (interest, dividends, and capital gains) in total corporate profits of non-financial corporations (NFCs). Values for China and Sino-Asia are author-constructed proxies, based on national accounts and secondary literature, and should be interpreted as comparative

approximations rather than strictly harmonized statistical series. Sino-Asia is an author-constructed regional aggregate. Values are rounded to one decimal place.

**Sources.** U.S. Bureau of Economic Analysis (BEA), National Income and Product Accounts; European Central Bank (ECB), Statistical Data Warehouse; OECD, Financial Accounts; Bank for International Settlements (BIS); National Bureau of Statistics of China; Krippner (2005, 2011); Epstein (2005); Lapavitsas (2013); Petry (2020); He (2022). Author's calculations and estimations based on the sources listed above.

**Table 3: Gross Fixed Capital Formation: (% of GDP), China, Sino-Asia, United States, and European Union**

| Year | China | Sino-Asia | United States | European Union |
|------|-------|-----------|---------------|----------------|
| 1995 | 34.0  | 31.0      | 20.0          | 21.0           |
| 2000 | 36.0  | 32.0      | 21.0          | 21.0           |
| 2005 | 40.0  | 35.0      | 21.0          | 22.0           |
| 2010 | 45.0  | 38.0      | 19.0          | 21.0           |
| 2015 | 44.0  | 37.0      | 20.0          | 21.0           |
| 2020 | 43.0  | 36.0      | 21.0          | 22.0           |
| 2023 | 42.0  | 35.0      | 22.0          | 22.0           |

**Notes.** Gross fixed capital formation refers to total investment in fixed assets as a share of GDP. Sino-Asia is an author-constructed regional aggregate. Values are rounded to one decimal place.

**Sources.** World Bank, World Development Indicators; International Monetary Fund (IMF), World Economic Outlook. Author's calculations based on the sources listed above.