



Firm-Centered Approaches to Overcoming Semi-Peripheral Constraints

Sonja Avlijaš¹ · Kira Gartzou-Katsouyanni^{2,3} 

Accepted: 24 May 2024
© The Author(s) 2024

Abstract

Scholars of economic development in the Global South and of industrial policy in the Global North are increasingly advocating top-down policies by a strong, activist state to promote growth and innovation. Instead, we argue there is much to learn from firm-centered approaches about how the main economic decision-makers, namely, firms, engage with the constraints and opportunities that they face. This is particularly important in the semi-periphery, where public authorities do not always have the capacity, resources, and political support required to play the activist developmental role suggested in the literature. This introduction to the special issue develops the concept of the semi-periphery, showing that it can foster knowledge exchange across the North–South divide and promote innovation in analyses of the dynamics of economic development. It also presents the multilevel perspective through which the special issue accounts for cases where firms were able to overcome semi-peripheral constraints. We argue that carving out economic opportunities in the semi-periphery often requires the activation of the initiative of local firms, which form alliances with other actors from the private, public, and non-profit sectors. Rather than producing economic innovation directly, macro-institutions facilitate those efforts by providing a governance architecture that makes it easier for firms to form alliances and innovate.

Keywords Semi-periphery · Innovation · Firms · Political economy · Multilevel approaches · Cooperation · Governance · Institutional change

✉ Kira Gartzou-Katsouyanni
k.gartzou-katsouyanni@lse.ac.uk; kira.gartzou-katsouyanni@politics.ox.ac.uk
Sonja Avlijaš
sonja.avlijas@ekof.bg.ac.rs

¹ Faculty of Economics, University of Belgrade, Belgrade, Serbia

² European Institute and Hellenic Observatory, London School of Economics and Political Science, London, UK

³ Department of Politics and International Relations, University of Oxford, Oxford, UK

Introduction

Firms in semi-peripheral areas, which do not belong to the global core or to the periphery in terms of their production and trade profiles, can be important developmental agents as they seek creative ways to avoid being trapped by multidimensional market and government failures. Shifting to more innovative, higher value-added segments of the global market is challenging in semi-peripheral contexts characterized by low trust, social fragmentation, and path dependencies of old development models, which hinder the formation of “local constellations of interfirm networks and institutions” (McDermott 2007, 104). Firms outside the core are also limited at the international level, by regulatory and financial constraints and by the dominant role of large multinational companies (MNCs) in the global value chains that govern the production of a range of sophisticated goods (Naseemullah 2022).

Scholars are increasingly advocating a strong, activist developmental state as a way to overcome such internal and external constraints that domestic firms face (e.g., Paus 2020; Klingler-Vidra and Wade 2020). These solutions, however, often fail to acknowledge that government failure is as common in semi-peripheral areas as market failure. It is unlikely that public authorities in the semi-periphery can successfully play the developmental role often requested of them in the literature. Doing so would require them to act as a *deus ex machina* for economic development, whereas in reality, they often have weak political capacity to improve existing institutions or redirect resources towards building new ones which would be more responsive to the continuous and dynamic restructuring of the global economy. This weakness can compound other constraints such as the fragmentation of potential support coalitions and conflicts of interest between various socio-economic groups (Doner and Schneider 2016), limitations in resources (Bruszt and Vukov 2018), and problems of capture by rent-seeking groups (Palmer-Rubin 2022). Moreover, even if highly capable governments become available in the semi-periphery, top-down, activist policies would not necessarily be sufficient to help firms, the main decision-makers in the economy, tackle the complex information and coordination problems hindering economic development.

This special issue focuses on empirical cases where firms engaged with these multiple constraining features of the semi-periphery and developed strategies to overcome them. Under which conditions have local economic actors been able to carve out opportunities for developing innovative capabilities despite the developmental constraints associated with semi-peripherality? Which macro-level policies have facilitated their endeavors, and what kinds of coalitions succeed in promoting them at the national and international levels, despite adverse circumstances? By focusing on these puzzles in concrete empirical settings, the special issue examines dynamic pro-developmental strategies that have allowed firms to overcome obstacles and capitalize on opportunities that arise in semi-peripheral contexts.

This introductory article is divided in two main sections. The first section introduces semi-peripheral settings as a particularly suitable empirical

ground for developing mid-range theories about the role of agency in catalyzing change within the constraints of structure. We also argue that focusing on the semi-periphery enables non-hegemonic knowledge exchange beyond the Global North–South distinction in the political economy and international development literatures. In the second section, we focus on firms as agents of economic upgrading in the semi-periphery, shifting the recent emphasis of political economy scholarship away from the role of top-down state intervention in promoting economic development. The firms that are examined in the special issue are heterogeneous and vary by size, ownership, and market orientation, all of which influence the ways in which they engage with one another and with the informal and formal institutions around them to build and maintain competitiveness. Our multilevel perspective towards studying firms' strategies to create opportunities for themselves despite the constraints of their environment lies between pure bottom-up and top-down approaches. On the one hand, we examine how, at the subnational level, firms and their local allies came together and collectively adopted strategies that enabled them to innovate and improve their economic performance. At the macro-level, we identify both domestic and international institutional arrangements that facilitated such local firm strategies and that were creatively sought and utilized by those local firms.

Why Focus on the Semi-Periphery?

The Concept and Its Advantages

The concept of the semi-periphery was originally used in world-systems theory, which analyzed the global economy as a single capitalist economic system where the core and the periphery perform different economic functions, with the global division of labor reinforcing the economic privileges of core countries (Wallerstein 1979). Wallerstein, who wrote prior to the large-scale liberalization of the global economy, viewed the semi-periphery as “a series of countries which fall in between [the core and the periphery]”, acting partly “as a peripheral zone for core countries” and partly “as a core country for some peripheral areas” (1979, 97). For him, semi-peripheral countries only had a narrow opportunity to advance their position in the global economy. This opportunity arose during times of crisis in the global core, when semi-peripheral countries could utilize to their benefit the heightened competition among core producers seeking outlets in a shrinking global market.

We retain this theory's key insight that the power imbalances among actors in different parts of the global economic system tend to perpetuate economic and political disadvantage for those outside the core. We find these arguments even more relevant today than during the 1970s. As globalization extended to a growing number of domains and global competition intensified, moving up to higher value-added production niches became increasingly challenging for many countries (Kang and Paus 2020). The inequalities on the playing field of global markets are often exacerbated by international institutions and rules that entrench the competitive advantages of the biggest firms in the wealthiest countries. Particularly since the 1995 Uruguay

Round and the creation of the World Trade Organization, international regulations on intellectual property, investment, and trade have reinforced the concentration of the production of innovation within big multinational companies (MNCs) and reduced the scope for developing country governments to achieve concessions from MNCs on technology transfer and local content requirements (Naseemullah 2022). At the same time, peripheral countries can often do little to reverse decisions of MNCs, operating within hierarchical global value chains, regarding the assignment of the production of components of different value to different countries. Such obstacles are largely ignored by studies in the modernization tradition, which concentrate almost exclusively on domestic developmental constraints (Horner 2020).

Yet, we also take a less deterministic view of the semi-periphery than Wallerstein. Firstly, in our conceptual framework, not all the constraints faced by semi-peripheral firms are external. Some obstacles are domestic, whether they have to do with fragmentation among socioeconomic stakeholders or with weak administrative capacity and state capture. The severity of such obstacles varies among semi-peripheral areas. Secondly, we consider that integration in the global knowledge economy does not only generate constraints, but it also gives rise to opportunities in the semi-periphery. These opportunities do not only arise during global economic crises, but they take different forms at different times, and they are creatively sought out by semi-peripheral actors aiming at economic and institutional innovation. In that sense, our approach has some similarities to the work of Cardoso and Faletto (1979), who recognized “the possibility of development through industrialization” despite “the condition of dependency” in Latin America in the 1950s and 1960s and put forward “a ‘methodology for the analysis of concrete situations of underdevelopment’ rather than a formal theory of underdevelopment” (Harriss 2009, 436; see also Wibbels 2009).

Thus, we conceptualize semi-peripherality as a condition that combines specific types of developmental constraints and opportunities that arise at the domestic and international levels, which in isolation would likely characterize the periphery (in the case of the constraints) or the core (in the case of the opportunities). Semi-peripheral areas can experience constraints such as “disarticulation,” i.e. the growing fragmentation among socioeconomic actors created by inequality, informality, and the presence of many multinational firms (Doner and Schneider 2016); weak administrative capacity; rent seeking and state capture; a disproportionate reliance on foreign capital; and a strongly asymmetric reliance on other countries or international institutions which can limit their paths towards innovation and higher value capture. On the other hand, compared to their counterparts in the periphery, semi-peripheral firms usually operate in a more stable macro-economic and political environment, are endowed with better infrastructure and capabilities, and often have better access to international markets, which opens the option of exporting high-value goods and services. This improves their position to utilize windows of opportunity created by economic and technological changes such as digitalization (Avlijaš et al. 2023) or the growing valuation of artisanal agri-food products by affluent consumers (Fischer 2021). The power that semi-peripheral political and economic actors exert on the periphery can also benefit semi-peripheral firms by providing them with cheap production inputs and

granting them preferential access to peripheral markets. Different semi-peripheries experience some, but not all, of these constraints and opportunities, as shown in the contributions that constitute this special issue. The presence of both developmental constraints and opportunities in the semi-periphery typically results in mixed production profiles, including “high-profit, high-technology, high-wage diversified production” as well as “low-profit, low-technology, low-wage, less diversified production” (Wallerstein 1976, 462–3).

Importantly, semi-peripherality is not necessarily a condition of entire countries, but it can also refer to specific areas or specific sectors within a country. While some obstacles and opportunities that firms face indeed vary by country—for example, trade agreements are often negotiated by national governments, or key aspects of the institutional frameworks that firms operate in are determined in the national political arena (Hall and Soskice 2001)—patterns of developmental obstacles and opportunities that interest us also vary at the subnational level. For instance, the degree of social fragmentation, the extent of translocal links, and the quality of infrastructure and the residential environment can strongly vary from place to place, leading to divergent growth trajectories across subnational regions (Martin et al. 2021). Thus, a country that would be typically considered part of the global core, such as the United States (US) or the United Kingdom (UK), may include specific areas that are semi-peripheral, such as de-industrialized areas that have followed trajectories of relative economic decline in recent decades or rural areas with resource-based economic models or with weak connections to the global economy. Equally, countries that would be thought of as peripheral may include particularly well-endowed and well-connected locations that belong to the global semi-periphery.

Moreover, the types of developmental constraints and opportunities that characterize a place also vary depending on the economic sector. While a particular area may be part of the global core when it comes to agriculture or manufacturing, it may exhibit characteristics of dependency that can lead to its classification as semi-peripheral when it comes to high-tech production. Conversely, peripheral areas might enjoy local and global advantages associated with semi-peripherality if they specialize in agriculture or low-tech manufacturing, because they can upgrade these sectors by taking advantage of digitalization, changing consumer tastes, and changing geostrategic realities. In allowing for subnational and sectoral variation in our conceptualization of the semi-periphery, our approach differs both from Wallerstein’s work and from the middle-income trap literature, which offer top-down, country level definitions of places stuck in economic “in-betweenness” (Kharas and Kohli 2011; Doner and Schneider 2016). By paying attention to both the geographical and the sectoral dimensions of economic development, our findings speak both to political science scholarship interested in geographical inequalities as a source of political cleavages (Ford and Jennings 2020; Iversen and Soskice 2019) and to the literature on the politics of producer coalitions (Rothstein 2022).

Such a conceptualization of semi-peripherality has two main advantages. The first one concerns its dynamism. Rather than characterizing semi-peripherality as a trap, we use the concepts of constraints and opportunities, which allow scope for agency to take advantage of emerging opportunities within the constraints of structure. This opens the way for discussing solutions for the semi-periphery. Given that

our definition can also apply at the subnational and sectoral levels, those solutions do not have to resolve the structural obstacles underlying the middle-income trap at the country level, but they can focus on specific regions or sectors. While we do not mean to diminish the gravity of the developmental hurdles in the semi-periphery, we know more about the paths that lead to vicious cycles of low productivity (e.g., Doner and Schneider 2016; Gambetta 1988) than about how those cycles can be broken. Thus, contributions to this special issue show that semi-peripheral settings are a particularly suitable empirical ground for developing mid-range theories about processes of institutional and economic innovation. At the same time, rather than viewing economic development as a linear process, our definition of the semi-periphery also allows for the possibility of downward mobility and de-development.

Secondly, our concept of semi-peripherality creates opportunities for knowledge exchange among areas in the Global North and the Global South which face similar combinations of developmental obstacles and opportunities. This can bridge the North–South divide between the CPE and international development literatures, where the prior focuses on the Global North while the latter is interested in the Global South. Breaking spatial silos can “mobilize fresh thinking and innovative possibilities for often intractable problems” (Pike et al. 2014, 27), while making traditionally unseen geographies more visible and better interconnected. The special issue therefore responds to calls to develop meso-level arguments about local development transcending the Global North–South distinction (Pike et al. 2014; Ornston and Vail 2016; Feldmann 2019). In doing so, it increases the visibility of semi-peripheral areas, which are often dismissed by scholars of advanced economies for being too backward and disarticulated in their structures to be properly compared to their main case studies and by scholars of the Global South for not showing a stark enough pattern of multiple disadvantages to be included in wider conversations about development (following Hughson and Avlijaš 2024). This tendency sometimes leads to developmental prescriptions towards semi-peripheral areas that are not appropriate for the specific combinations of constraints and opportunities they face (Garcia Calvo 2021). For example, political economists often analyze Southern European economies in comparison to the advanced-country ideal types of Liberal Market Economies (LMEs) and Coordinated Market Economies (CMEs) and find them lacking, as the “Mixed Market Economies” of Southern Europe combine elements of both models in an overall framework that is characterized as incoherent. The implication is that “durable ‘non-complementarities’” stymie economic innovation in Southern Europe (Molina and Rohdes 2007: 228), but the literature remains agnostic as to how those non-complementarities can be addressed. Viewing Southern European countries as semi-peripheral within our framework can be more informative about the possible paths forward, as it opens up a much broader array of experiences and settings where firms and other actors have tried to foster innovation despite the lack of supportive domestic institutions.

We also highlight that regional inequalities and the challenges of “left behind” areas are becoming increasingly salient in advanced economies, while environmental and social decay are shrinking the most developed parts of the core. There is currently little appreciation that “left behind” areas falling out of development in core countries can learn from the experiences of semi-peripheral places in post-socialist

Central and Eastern Europe, post-2008 crisis Southern Europe, and beyond. Many semi-peripheral areas' longer experience with challenges such as institutional decay, de-development (Meurs and Ranasinghe 2003), and switching to new production models under conditions of crisis can offer important lessons for an increasing number of places around the world. Even viewing areas such as the US Rust Belt or post-industrial locations in the UK as semi-peripheral can help foster mutual learning and non-hegemonic, two-way processes of global knowledge exchange.

Characteristics of Semi-Peripherality as Explored in the SI

In line with our decision to avoid binary, rigid, and nation-centric essentializations of the semi-periphery, we do not provide a unified set of indicators to qualify a country or a place as semi-peripheral. Instead, we offer a menu of possible characteristics of semi-peripherality and allow each contributor to choose the combinations of constraints and opportunities which qualify their case study as semi-peripheral.

McDermott and Avendaño's article in the special issue focuses on the Mexican agricultural sector, which includes a significant export component but also a large share of highly fragmented small- and medium-sized agricultural producers. As adherence to international food safety standards became a requirement for exporting to the US market in the wake of a series of disease outbreaks, domestic firms' low capabilities to implement such standards and the Mexican state's weak capacity to enforce them emerged as key obstacles to upgrading in the sector. The authors explore how trade dependency on the United States agricultural market and the NAFTA regional trade agreement offered opportunities for, but also constraints on, standards diffusion and product upgrading. They also examine how Mexico's corporatist institutional path dependencies offered the only way to overcome high levels of fragmentation among agricultural producers, but how these strategies were also limited due to their closed group design and lack of inclusiveness.

Arnold and Naseemullah's article examines the case of Turkey, a country that is constrained by international rules which it cannot shape, but that is nevertheless in a position to exercise considerable influence over neighboring countries, especially in the Balkans, the Middle East, and Central Asia. Similar to Mexico, which enjoys unique access to the US market, Turkey is located close to the European Union (EU) market and has privileged access to it via the European Customs Union. Despite these favorable conditions, while Turkey exclusively focused on a strategy of economic upgrading via trade integration with European economies, it experienced several economic uncertainties that characterize semi-peripherality, including currency crises, a high vulnerability to European recessions, and competitive threats from lower-wage countries. The article shows how, in response to these uncertainties, the Turkish state and its key favored firms started to use state power and informal political linkages to penetrate foreign markets in their neighborhood, offering particularistic benefits to these governments and their clients in exchange for privileged market access. This neomercantilist strategy, which is particularly evident when it comes to the export of infrastructure services, complemented the continued pursuit

of economic upgrading via trade integration with the EU, which remained the main export market for Turkish textiles and other products.

A different semi-peripheral context that the special issue covers is that of post-socialist Central and Eastern Europe. This world region has been characterized by high levels of dependency on foreign direct investment (FDI) as a key source of capital and innovation since the early 1990s (Bohle and Greskovits 2012; Nölke and Vliegenthart 2009). The primary focus of industrial policy in this region on promoting FDI has been subject to increasing criticisms, due to both the limited spillover effects from MNCs to the local economy and the general slowdown of growth in the region in the post-2008 era, which in some scholarship has been attributed to the middle-income trap, as these countries struggle to switch from extensive to intensive growth. Ongoing discussions on the middle-income trap have also led to growing scholarly interest in how to establish a developmental state in the region that could support domestic enterprises (e.g., see Naczyk 2022). This is, however, proving to be rather challenging in the context of inadequate or weak state capacities to navigate the economy, but also amid concerns over state capture by the recently rising authoritarian politicians. At the same time, much of the political economy literature on the region is still vested in static narratives on manufacturing-oriented transnational dependency from the 1990s and does not examine the more recent restructurings of the global economy under the influence of digitalization and the networked knowledge economy (e.g., see Avlijaš et al. 2023). The literature has also not yet systematically accounted for the region's geostrategic reconfigurations, which have opened new external opportunities and constraints such as access to Chinese investment, more in some economic sectors than in others. Tackling this gap by adopting a subnational and sectoral lens of analysis, Medve-Bálint's article in the special issue discusses how the rise of the ICT sector has generated pro-developmental outcomes in Gdansk, Poland and Cluj-Napoca, Romania. Toplišek's article, focusing on Slovakia, a prime car manufacturing destination for FDI, analyzes the country's attempt to get into the electric vehicles global market by focusing on interactions between translocal entrepreneurs and global venture capital. Both contributions show the necessity of analyzing dynamic sector-specific opportunities to gain a better understanding of how local and global opportunities and constraints can be combined to generate economic upgrading. Such research drawing on the Central and Eastern European context is particularly relevant to other semi-peripheral areas that have experienced or are increasingly experiencing high FDI inflows, including Southern European countries that implemented far-reaching privatization and FDI attraction programs during the Eurozone crisis.

Garcia-Calvo's article in the special issue focuses on the transition to electric vehicles in Spain and South Korea, two countries whose domestic institutions have traditionally been more suited to supporting innovation followership rather than novel innovation (Breznitz 2021), but which can no longer compete on cost in the automotive and other manufacturing sectors. Along with neighboring Greece and Portugal, Spain is one of only 13 among 101 countries that were able to graduate from the category of middle-income countries to the high-income category between 1960 and 2008 (World Bank and the Development Research Center of the State Council, P.R. China 2013). Given their high-income status, these Southern

European countries are typically studied by scholars of advanced economies, who tend to compare their institutions and economic performance to those of core countries and find them lacking. However, Southern Europe still experiences economic challenges that can be best understood as semi-peripheral, including the difficulty of transforming domestic institutions so that they can support novel innovation, as emphasized in Garcia-Calvo's article, and the persistent reliance on external actors to avoid the worst results of recurring crises, as highlighted once again by the Eurozone crisis (Kalyvas 2020). The concept of the semi-periphery can thus help foster academic and policy debates that better address these particular combinations of opportunities and constraints in the region. In addition, analyzing the mechanisms through which some Southern European firms became innovation leaders in a region that was until so recently an innovation follower can be of interest to a broader range of semi-peripheral areas globally. Even if EU membership is not available to most countries, better understanding how European integration facilitated and constrained Southern Europe's developmental trajectory could usefully complement the existing literature, including on the developmental state. Garcia-Calvo's article demonstrates this potential by comparing automotive firms' performance as novel innovators in the multipolar, modular production network of the EU, whose institutional architecture promotes competition but also facilitates inter-firm coordination (Foster and Thelen 2023), to firms' innovation performance in the unipolar, captive production network of South Korea, which is typical of the country's top-down, technologically autonomous approach to industrial policy (Garcia Calvo 2021).

Cicci and Ornston in the special issue turn to the Canadian ICT sector, which they characterize as semi-peripheral due to the historic orientation of the Canadian economy towards resource extraction or final assembly, with more knowledge-intensive activities usually taking place in the US, as well as the disarticulation and weak associational capacity of Canada's business sector. While the Canadian government has a higher administrative capacity than many other semi-peripheral governments, it has historically pursued *laissez-faire* economic policies that were unsuited to promote the formation of well-connected innovation ecosystems. The paper analyzes how different types of inter-firm alliances addressed these challenges by creating Entrepreneurial Ecosystem Incubators with different strengths and weaknesses. The findings have implications for other areas outside the handful of regions where global tech hubs are concentrated which are considering bottom-up or top-down approaches to enhance ecosystem connectivity.

Overall, the geographical and sectoral range covered by the special issue allows for analyzing several configurations of semi-peripheral opportunities and constraints. As we demonstrate in the next section, despite their geographic and sectoral variation, the contributions that constitute the special issue give rise to common themes, demonstrating that our conceptualization of the semi-periphery can facilitate knowledge exchange across regional and sectoral siloes and shed novel light on complex developmental challenges.

Firms and Economic Upgrading in the Semi-Periphery: A Multilevel Perspective

Top-Down Approaches to Economic Upgrading and Their Limitations

Given the challenges associated with creating new economic successes in an increasingly competitive international economic order, as well as the disproportionate power that MNCs sometimes have in dependent economies, scholars of economic development often emphasize the central role of deliberate state action for promoting economic development. Paus argues that Latin American countries must build domestic innovation capabilities to escape the middle-income trap, which requires “a strategic role for government with active (vertical) policies for innovation advancement” (2020, 676). Klingler-Vidra and Wade call for “concerted state action to impart directional thrust to investment” in science and technology policy, criticizing “startup ecosystem-building” policies destined to foster a proliferation of “imitators and assemblers” and “hold back ‘catch up’” (2020, 729). Such views echo the conclusions of a significant part of the literature on overcoming the middle-income trap, which focuses on the role of the East Asian developmental states and highlights the importance of directing capital through “professionalized, Weberian bureaucracies, ‘pilot’ agencies, and close business-government collaboration” (Doner and Schneider 2016, 611; Naseemullah 2016).

Since the Great Recession, there has also been a revival of scholarship that advocates industrial policy and a strong role for the government in directing the economy in Europe and the US (Bulfone 2023; Maggor 2021). Mazzucato has argued for proactive, mission-oriented innovation policies, “whereby the state leads and business follows” (2018, 806). She highlights that contrary to the small-state narrative that the US has propagated for decades, large public investment programs in technology and innovation have been central underpinnings of many of the US economy’s biggest achievements, “from the Internet to biotech and even shale gas” (2013, 24). The burgeoning literature on state-led innovation regards conditionality as a key tool available to policymakers to achieve the goals of industrial policy, such as aligning the preferences of large transnational corporations with the public interest (Bulfone 2023) and maximizing the benefits of state-sponsored innovation for the domestic economy (Maggor 2021).

Although state institutions and government policy play a crucial role in economic development, designing and implementing directional industrial policies that are far-sighted, well-designed, and inclusive can be particularly challenging in semi-peripheral settings, because they can be characterized by decaying capabilities, administrative incapacity, state capture, and clientelism. As Doner and Schneider (2016) have argued, overcoming those limitations and creating the intricate institutions needed for high-tech production involves tackling significant political challenges, particularly addressing the disarticulation among social groups caused by high inequality, high informality, and the cleavages between foreign-owned and domestic businesses in present-day middle-income countries. If economic development in the semi-periphery requires altering those structural

conditions at the country level to create an effective developmental state, then the prospects for escaping the middle-income trap indeed seem dim. Fortunately, however, the contributions in this special issue demonstrate that semi-peripheral constraints can be overcome at the subnational and sectoral levels, even in countries without developmental states. Studying those cases requires putting firms and other local and sectoral stakeholders at the center of the analysis, rather than focusing mainly on the state. Such analyses can generate highly informative insights for the many places in the world where the central government lacks the motivation or capacity to play the leading role in transforming the economy from the top down.

Even for areas within countries that have capable national governments willing to foster economic development, which is sometimes the case in the semi-periphery, there are limitations to solely focusing on top-down direction of the economy. Economic development requires the resolution of complex information and cooperation problems among the actors which are making daily micro-decisions in an economy, i.e., firms (Ferguson 2013), as well as other stakeholders such as vocational education providers (Doner and Schneider 2016) and subnational governments (McDermott 2007). It is unlikely that the state, however strong, will have enough information about the best way to resolve most of those problems and impose the optimal solutions from the top through centrally defined rules and conditionality. Viewed from this angle, the role of the state in fostering economic development cannot only be seen as directional: it should also involve creating a framework to enhance the governance of the interactions among economic actors at the subnational and sectoral levels (see also McDermott and Avendaño's article in this special issue). By exploring how the state and other providers of macro-institutional frameworks can strengthen governance arrangements among economic actors, we can expand our understanding of industrial policy beyond its usual emphasis on a few major firms in key sectors (e.g., Bulfone 2023). After all, to achieve inclusive growth, we must focus on a wider array of firms and sectors, such as agriculture, low-tech manufacturing, and services, which play significant roles in employment and business activity in the semi-periphery (Breznitz 2021).

Firms as Agents of Economic Upgrading

As a result of these considerations, this special issue focuses on firms as agents of change in the semi-periphery. We shift attention away from the state as a direct orchestrator of innovation through top-down intervention, towards a conceptualization of the state as a facilitator of the efforts of firms and other stakeholders at the subnational and sectoral levels to catalyze economic and institutional innovation. Our approach is in line with a growing body of literature that identifies the “essence of development” in “little ‘d’ processes of ongoing transformation, often involving civil society and firms, as well as states,” as opposed to “big ‘D’ development intervention” (Horner 2020, 415). It addresses the growing scholarly interest in multistakeholder approaches to industrial policy for the twenty-first century (Aiginger and Rodrik 2020). We also mirror the disillusionment with top-down policy

paradigms that can be found among scholars of regional development in the Global North (Pike et al. 2014).

Rather than focusing on an ideal-type firm whose characteristics are aligned with national institutional complementarities, as in the Varieties of Capitalism (VoC) approach by Hall and Soskice (2001), we are interested in the bottom-up taking stock of the most relevant types of firms that can be found in specific semi-peripheral contexts and that act pro-developmentally. Contributions to the special issue indicate that semi-peripheral contexts typically accommodate different types of firms that pursue various economic activities, from low-skilled, low value-added sectors employing substantial parts of the labor force to high-tech, high-value added niches. Contributors examine interfirm cooperation efforts between foreign and domestic firms, indicating occasional alignment in their interests instead of conflict. This points to the importance of also examining the role that small and medium enterprises (SMEs) play in upgrading, rather than just paying attention to “national champions.”

Three contributions to the special issue explore collaborative relationships between foreign- and domestic-owned firms, which are generally depicted as conflictual in the literature on dependent growth (Nölke and Vliegenthart 2009) and as disarticulated in the middle-income trap literature (Doner and Schneider 2016). There is a vibrant debate in the literature regarding the developmental implications of the increasing presence of foreign-owned firms in semi-peripheral economies. On the one hand, foreign-owned firms have, at times, provided capital, know-how, and international networks, enabling semi-peripheral economies to export goods and services that may have been challenging to produce domestically. Moreover, foreign ownership has sometimes been associated with the imposition of financial discipline and with demands to improve the domestic rule of law, with wider positive developmental implications (Puente and Schneider 2020). On the other hand, MNCs have often perpetuated the subordinate participation of domestic semi-peripheral producers in global value chains, retaining high value-added economic activities in their home countries, while offshoring activities that generate jobs with low remuneration and fail to create knowledge spillovers towards the wider ecosystem of domestic firms. Moreover, foreign-owned firms frequently lack the motivation and contextual knowledge that is required to lobby for and contribute to upgrading in the domestic economy, especially when it comes to activities such as provision of infrastructure (Post 2014) or investment in skills (Doner and Schneider 2016). Developmental state miracles from East Asia also show that some control over foreign capital flows and support for the internationalization of domestic companies may lead to superior developmental outcomes (Amsden 2001).

Medve-Bálint's article contributes to these debates by examining the conditions under which foreign MNCs can be encouraged to develop high value-added production and develop synergies with local actors at the city level. The main protagonists of the local upgrading alliances examined in the paper are local start-ups set up by people with translocal links, local SMEs, foreign MNCs, and domestic real estate investors. In the Romanian city of Cluj-Napoca, a foreign MNC also has a long-standing collaboration with the local university on skills upgrading, with the two having co-developed two MSc programs and an internship program. Toplišek's

contribution also describes inter-firm cooperation strategies between domestic and foreign firms, but it also shows how, in the highly financialized global economy, an innovative domestic manufacturing start-up can attract investment capital via informal translocal links with transnational firms and international institutions. Conversely, Garcia-Calvo's article examines the conditions under which domestic suppliers can innovate and thrive forming horizontal and vertical partnerships within global value chains even in the absence of a lead firm in the country. All these contributions go beyond the classical FDI model of capital and knowledge transfer that is typically described in political economy literature on dependent capitalism and thus speak to the more recent literature on translocal networks of inter-firm cooperation in the semi-periphery (Avlijaš 2022; Avlijaš et al. 2023; Gartzou-Katsouyanni 2023). With its focus on transnational firms, Toplišek's contribution also challenges the distinction between domestic and foreign firms that is typically found in the literature, echoing Naczyk (2022) who wrote about the role of local, non-expat managers of MNCs in pushing the Polish state towards developmentalism and supporting indigenous firms' expansion.

The articles in the special issue also invite us to consider the role of a broader range of firms in upgrading processes, a perspective not commonly emphasized in the industrial policy literature. This includes considering the role of SMEs, rather than focusing solely on large firms. Empirical research around the world shows that larger and financially stronger firms often have a competitive advantage over smaller ones. This phenomenon, which the literature calls "winner-takes-all," occurs because firms with more resources possess greater market power, easier access to talent and workers, and more advanced technologies. Additionally, certain economic activities generate significant economies of scale that benefit big firms (OECD 2018). However, concerns have also been raised that the growing dominance of larger firms can negatively impact the overall productivity of an economy, as observed in the Swedish economy in the 1980s (Henrekson and Jacobsson 2001). Even if large firms typically generate disproportionate shares of value-added and innovation in an economy, this does not necessarily mean that big shares of a country's or region's population will share in the resultant prosperity. This would require either a state with a high capacity to tax large firms and redistribute profits through an inclusive welfare system or the formation of productive connections between the large firms and an ecosystem of smaller firms. The recent case of South Korea shows that a model of economic development based on large firms can lose competitiveness over time and generate substantial social and economic costs if most of the population remains excluded from the dominant economic model, leading to loss of talent and innovation potential (Jones and Lee 2018). Thus, the conditions under which positive linkages develop between big firms, other economic actors, and the broader local community must be empirically examined, rather than assumed. Understanding the role of SMEs as developmental agents is also crucial, due to their more even territorial distribution, significant contribution to employment, strong ties to local business ecosystems and communities (Avlijaš et al. 2023; Vázquez-Carrasco and Lopez-Pérez 2013), and the distinct and sizeable contribution of export-oriented SMEs to the growth models of some semi-peripheral economies (Avlijaš et al. 2023).

McDermott and Avendaño's article shifts attention away from the types of firms usually at the center of scholarship on Hierarchical Market Economies, namely, diversified business groups and MNCs (Schneider 2009), and focuses instead on independent agricultural producers of different sizes and in different regions. While the article confirms the VoC argument that the institutional foundations of capitalism in Latin America pose complex obstacles to the emergence of inter-firm coordination, the authors point out that such coordination is necessary for reaping the opportunities provided by international trade in the agricultural sector. They also show that inter-firm coordination has, in fact, successfully emerged on certain occasions. However, such successful cases have usually relied on associational capacities inherited from the old corporatist era, leading to the nearly complete exclusion of SMEs from exporting to the US market. Consequently, the prosperity that resulted from the expansion of US-Mexican agricultural trade remained highly concentrated and did not spread across the economy. On the other hand, Cicci and Ornston's article emphasizes the importance of studying different types of firms as developmental agents, as inter-firm coalitions that are spearheaded by small domestic start-ups in a bottom-up fashion deliver different developmental benefits than coalitions led by large incumbent firms. Focusing exclusively on the latter may lead us to miss the investment in horizontal, ecosystem-wide public goods and identity-forming effects associated with bottom-up initiatives led by smaller firms. Finally, Arnold and Naseemullah's article draws our attention to a different type of firms that are usually overlooked by studies of economic upgrading, namely, domestic firms that focus on cooperating with the state to establish business ties in neighboring countries, rather than working with MNCs to acquire capabilities that are more conventionally associated with economic upgrading.

Overall, the contributors to the special issue place the spotlight on firms as the protagonists of economic change in the semi-periphery and extend their analyses to types of firms and inter-firm relations that are often overlooked in other literature.

How Firms Form Upgrading Alliances

Despite adverse circumstances, firms in the semi-periphery occasionally succeed in building capacities to enhance their productivity, innovate, and achieve international competitiveness, leading to transformative impacts on local livelihoods. How can we account for such outcomes?

We argue that local firms create economic opportunities in the semi-periphery by forming alliances with other actors from the private, public, and non-profit sectors and by leveraging facilitative macro-level institutional tools. Thus, we distinguish between two levels of analysis: the level of firms and their allies, on which we focus in this section, and the macro-institutional level, which is the subject of the next section.

Starting from the first level, the contributions to the special issue view firms in the semi-periphery not only as rule-takers but also as rule-benders and rule-shapers. The overall theoretical approach is Ostromian: individual actors facing social dilemmas do not necessarily wait passively for the conditions of their environment

to improve but find creative ways to work together to influence the institutions that structure their lives (Ostrom 2014).

Firms reap different kinds of benefits by forming different types of upgrading alliances. Local alliances among private- and public-sector actors can contribute to the reproduction of local resources and the provision of local public goods that are key for firms' competitiveness. This is especially important for SMEs, which are highly interdependent with their local environment (Avlijaš 2022). On the other hand, the exchange of new ideas and know-how with actors in other localities can facilitate the recombination of elements of existing institutions in original ways. This is often what lies at the foundation of institutional innovation (Crouch 2005, 3). Thus, translocal alliances can contribute to overcoming cognitive obstacles to economic upgrading (Granovetter 1973; Gartzou-Katsouyanni 2020; Leff et al. 2021).

But how can firms form upgrading alliances in semi-peripheral settings, where disarticulation is common due to low trust, legacies from past development models, or the fragmentation of the business sector between domestic and foreign components? The formation of an upgrading alliance in a semi-peripheral setting can sometimes unfold as an endogenous rupture, i.e., a type of institutional change that takes place within a relatively short time horizon and that is driven endogenously rather than due to an external shock (Gerschewski 2021). Such institutional changes are likely to require "a powerful actor, a Schumpeterian norm entrepreneur (...) who is able to break sharply with long-held institutional inertia" (Gerschewski 2021: 226). Articles in the special issue pay particular attention to the kind of leadership that underlays the formation of the upgrading alliance in each case, highlighting the trade-offs associated with leadership of different types. These findings contribute to recent debates about the importance of local leadership in catalyzing economic and institutional innovation (Blažek and Květoň 2023; Gartzou-Katsouyanni 2020; Kyle and Resnick 2019).

McDermott and Avendaño's article focuses on public-private cooperation at the local and sectoral levels, aimed at enabling agricultural producers in Mexico to adopt the international food safety standards that gradually became a requirement for exports to the US market. By working together through producer associations, as well as with state and federal authorities, producers are able to pool their resources, share knowledge, and experiment with new forms of governance, acquiring capabilities for implementing international standards that they could not attain individually. The challenge is that these forms of public-private cooperation are very difficult to create from scratch. In fact, such cooperation successfully emerged in the Mexican agricultural sector only when small groups of well-resourced, large producers repurposed the producer associations of the old corporatist era towards serving the new goal of facilitating the process of standards adoption. This made it possible to substantially increase exports in certain agricultural subsectors concentrated in specific Mexican states with pre-existing organizational capacities. However, the vast majority of small- and medium-sized Mexican producers were excluded from the upgrading alliances that were formed through these repurposed corporatist associations, which prevented them from reaping the benefits of the upgrading process.

In contrast to the spatially concentrated upgrading alliances identified by McDermott and Avendaño, Toplišek highlights the centrality of translocal connections

and cooperation with foreign firms as key factors that facilitated the formation of an upgrading alliance which aimed to capitalize on the electromobility transformation in Slovakia's automotive sector. Endowed with local knowledge of Slovakia, an awareness of global market and policy trends in the context of the green transition, and connections with ethnic Slovaks in key global positions that provided access to private- and public-sector funding, the entrepreneurs at the center of the project provided a vision and a narrative about its realization that spurred a wider range of stakeholders. Implementing this vision required cooperation with several foreign firms that provided complementary capabilities, including technological know-how and production capacities, a theme that recurs in Garcia-Calvo's article. Toplišek's account is reminiscent of the central role that Gartzou-Katsouyanni (2020) attaches to a small group of translocally embedded, well-connected leaders as catalysts for upgrading in the Greek agri-food and tourism sectors. The question that arises about such alliances is how broad-based the resultant upgrading can be: how many entrepreneurs possess this exceptional combination of local and global knowledge and connections required to start producing globally competitive goods in the semi-periphery, particularly when receiving little assistance from the state?

Medve-Bálint's article studied two upgrading alliances in the ICT sector of the cities of Gdansk in Poland and Cluj-Napoca in Romania, respectively, which formed due to the initiative of a broader range of actors and which consequently spanned more types of firms and a wider range of complementary economic activities than those in the McDermott and Avendaño and Toplišek articles. The main elements that enabled these two cities to attract high-value FDI in ICT were the presence of local ICT entrepreneurship, which was strengthened by the translocal experiences associated with outward and return migration; a significant pool of skilled workers; and the realization of complementary investments, particularly in physical infrastructure for office space. In Gdansk, these elements emerged, building on pre-existing comparative advantages, as a result of coordination among domestic and foreign ICT firms, private property developers, and the local and regional governments. The active involvement of the latter in promoting the city's economic extroversion over time was linked to export-oriented growth in a broader range of sectors, including not only ICT but also shipbuilding and textiles. In contrast, in Cluj-Napoca, where the upgrading alliance included the private sector and the local university but not the subnational authorities, export-oriented growth was limited to the ICT sector, which was uniquely equipped with translocal links in an otherwise sheltered local economy.

Cicci and Ornston's article investigates the promotion of inter-firm connectivity in Canada's ICT sector through Entrepreneurial Ecosystem Incubators (EEIs), i.e., a type of formal organizational structure. EEIs helped address the disarticulation of Canada's ICT industry, promoting knowledge exchange, improving the local firms' ability to access public goods, and fostering the development of a common identity. Nevertheless, the nature and distribution of the benefits of an EEI's activity were shaped by the kind of leadership that led to the EEI's initial creation. EEIs founded by entrepreneurs in a bottom-up fashion, as in the case of Communtech in Waterloo, tended to be more successful in developing inclusive peer-to-peer networks that provided generalist support to a wide range of firms across the ecosystem. In contrast,

EEIs founded by private and non-profit institutional actors such as large incumbent firms, banks, and civic associations, like MaRS in Toronto, were in a better position to provide specialized, resource-intensive support to a smaller group of firms in specific subsectors. While the limitations associated with the upgrading alliances identified in some of the other articles in the special issue cannot be easily overcome in the semi-peripheral contexts in question, the Canadian ICT sector witnessed the creation of both types of EEIs. This allowed them to benefit from the advantages associated with both, though not always in the same location.

Overall, the papers in the special issue provide accounts of various firm-led upgrading alliances that successfully navigated significant semi-peripheral constraints, sometimes with minimal support from the central government. These alliances relied on pre-existing associational capacities in Mexico's agricultural sector, the translocal links of leading entrepreneurs in Slovakia's automotive sector, horizontal coordination among a broad range of actors through a series of loosely connected initiatives in Poland and Romania's ICT sector, and the leadership of entrepreneurs or institutional actors who initiated the formation of EEIs in Canada's ICT sector. Each of these assets simultaneously posed limitations in terms of the distribution of the resulting economic benefits. These limitations were overcome through complementary initiatives in some, but not all the semi-peripheral contexts studied in the special issue.

How Overarching Institutions Facilitate Firms' Upgrading Efforts

Although overcoming semi-peripheral constraints requires the activation of firm-led upgrading alliances, macro-level institutional frameworks provided by the state or by international institutions still have an important role in facilitating this process. How exactly can they achieve that?

As mentioned previously, scholars of both economic development in the Global South and of industrial policies in the Global North often emphasize the importance of directional economic policies, where the state produces economic innovation directly by allocating public resources according to centrally defined goals and by using conditionality to align firms' incentives with those goals. Without doubting that such endeavors can also play an important role, given the importance that we attribute to firm-led upgrading alliances when it comes to fostering upgrading in a broad range of sectors in the semi-periphery, we concentrate instead on facilitative policies, through which the state provides a governance architecture that makes it easier for firms to form alliances and innovate. Building on work by Ostrom (1990), Culpepper (2003), and the participatory governance literature (e.g., McDermott 2007; Sabel 1993), Gartzou-Katsouyanni (2024) develops an account of Facilitative Overarching Institutional Frameworks (FOIFs) as macro-level institutions that abate the cognitive obstacles to local cooperation and make it easier to resolve collective action problems. FOIFs achieve this result by creating opportunities for deliberation among diverse stakeholders, by subsidizing the upfront costs of cooperation, by enabling local stakeholders to adopt cooperation rules tailored to their local and sectoral context, by

facilitating the enforcement of those cooperation rules, and by strengthening the delineation of the boundaries of the relevant group of cooperating actors. Facilitative overarching institutions contribute to economic upgrading indirectly, through their effects on the governance of inter-firm relations. The concept of FOIFs is closely linked to the idea in the VoC literature that firms in Coordinated Market Economies (CMEs) rely on a “set of organizations and institutions for support in coordinating their endeavors” (Hall and Soskice 2001: 9). However, given that, as we have established, cooperation among economic actors can be highly beneficial for economic development also outside the context of CMEs, we seek to understand under which circumstances coordinating or facilitative macro-institutions can become available in the semi-periphery.

McDermott and Avendaño’s article shows that in some agricultural subsectors in Mexico, it was in fact the US government’s policies that facilitated the emergence of public–private cooperation for the adoption of food safety standards. Indicatively, in the mango and avocado sectors, the US regulator of plant and vegetable safety created pre-certification programs in Mexico that required participating producers to be paying members of a producer’s association. The US agency also reached agreements with these producer associations about how safety plans would be implemented in the fields and production facilities, and it created enforcement capacities on the ground by directly hiring local inspectors. As a result, the Mexican producers’ associations acquired export capabilities that they would have struggled to develop endogenously. On the other hand, the US authorities’ lack of interest to involve small- and medium-sized farmers in the pre-certification programs and to develop the Mexican government’s capacity to provide similar programs in other subsectors limited the range of producers who benefited from these facilitative institutions. These findings contribute to a broader literature which shows that facilitative overarching institutions do not only emerge as a result of embedded policymaking at the national level (e.g., in Culpepper 2003), but they can also become available transnationally, through trade integration regimes such as the EU and NAFTA (Bruszt and Langbein 2014, 2020; Gartzou-Katsouyanni 2024).

Garcia-Calvo’s article also shows that Spanish automotive suppliers used EU policies as facilitative tools to develop partnerships, which helped them acquire the necessary capabilities to become global leaders in the transition to electric vehicles. Indicatively, these suppliers developed key partnerships by participating in several international research consortia funded by the Horizon Europe program. However, Garcia-Calvo’s article also provides a strong reminder that facilitating coordination is not sufficient: promoting competition and providing incentives for innovation at all stages of the supply chain remain powerful tools for overcoming semi-peripheral constraints. The paper compares how Spanish automotive suppliers which operated within an EU-wide multipolar, modular production network responded to the transition to electromobility compared to their South Korean counterparts which operated in a nation-wide unipolar, captive production network. It concludes that South Korea’s hierarchical network structure promoted inertia at the level of the lead firm while constraining the suppliers’ opportunities to innovate. In contrast, the EU’s more competitive network structure generated incentives for lead firms to constantly attempt to remain ahead of their rivals, while providing multiple opportunities to

suppliers to develop innovative components, often co-designed with a specific lead firm, which could then be sold to a wider market of clients.

Arnold and Naseemullah's article adds another dimension to the discussion, namely, the projection of state power internationally. Focusing on the case of Turkey, the authors distinguish between two strategies that the state has followed to pursue economic growth: a neoliberal strategy which promoted upgrading while respecting international rules and market norms, employed when it came to exports towards European markets, and a neomercantilist strategy of exercising state power, employed for exports towards the Balkans, the Middle East, and Central Asia. In opposition to most scholars and commentators, who argue that such neomercantilist strategies go against neoliberal strategies of cross-border economic integration, Arnold and Naseemullah see the two as complementary for semi-peripheral countries that have some influence in their neighborhood but at the same time lack the power to frame global market rules. Thus, the paper highlights that facilitating cooperation, which is the policy approach that we have focused on in this introduction, is not the only path to development in the semi-periphery. There is still a scope for directional state intervention, at least in some sectors. Arnold and Naseemullah indicate that international rule-breaking and state and business capture may co-exist along with neoliberal business strategies, thus echoing recent research on how China's economic model was supported by access money which encompassed "high-stakes rewards extended by business actors to powerful officials" in exchange for access to exclusive, valuable privileges (Ang 2020: 10). By showing that Turkey has been exercising both neoliberal and neomercantilist strategies towards different markets for at least fifteen years, the paper contributes to an emerging body of scholarship about the growing role of geoeconomics in today's globalized economy (Matthijs and Meunier 2023; McNamara 2023). The paper also points to Turkey's serious economic vulnerabilities over the past decade, indicating that state-led neomercantilism, which does not facilitate the better governance of inter-firm relations and tends to benefit large exporters, may not be a sufficient strategy to get the country out of the middle-income trap.

Taken together, the papers in the special issue demonstrate that facilitating cooperation can be a powerful way to empower firms to overcome semi-peripheral constraints. This is a role that can be played not only by the state but also by transnational institutions. However, the papers also show that this facilitative approach complements, rather than replaces, the more traditional roles of the state in creating competitive markets, on the one hand, and engaging in directional intervention, on the other. Each of these roles can make a distinct contribution to economic development in the semi-periphery under different circumstances. The semi-periphery provides an ideal empirical setting to study how each of these dimensions operates in reality, since economic success is not overdetermined by the state effectively playing all three roles at the same time. Instead, firms face a daily struggle to seize economic opportunities, and success is only occasional and against the odds.

Concluding Remarks

Our efforts to conceptualize semi-peripherality away from Wallerstein's deterministic worldview, and to introduce dynamism and firm-level agency into it, offer a conceptual way out of the pitfalls that are commonly associated with political economy and development research on the semi-periphery. Wallerstein's original formulation of the concept attributed development outcomes exclusively to the global capitalist relations of production, while leaving almost no scope for agency and economic development in the semi-periphery, aside from narrow windows of opportunity that would arise during crisis periods. Literature on the developmental state, combined with rigid conceptualizations of the middle-income trap as being caused by domestic disarticulation and structural, nation-wide cleavages due to inequality, informality, and FDI (Doner and Schneider 2016), has also created pessimistic and deterministic outlooks for the semi-periphery. Such structural analytical frameworks have also limited the types of research questions that can be asked and moved political economy away from one of those foundational questions that animates social science—What can social actors do to change the circumstances that structure their lives? By showing how non-state actors in the semi-periphery engage with existing rules at both national and international levels and how they shape and bend them, we allow scope for agency, while considering both external and domestic semi-peripheral constraints, which are rarely explored together in the literature. Our approach to institutional change is neither purely bottom-up nor purely top-down, but lies somewhere in between, as we pay attention both to firm-level strategies and to overarching institutions as potential facilitators of those strategies.

We hope that the major themes identified in this introductory article, and which are explored further in the empirical articles constituting the special issue, prove valuable for future research on the political economy of development. These include, firstly, our definition of semi-peripherality as a dynamic condition that encompasses both economic constraints and opportunities and can characterize specific places and economic sectors and not only entire countries. We believe that this definition can generate new research questions and contribute to a more comprehensive, multifaceted understanding of development in the semi-periphery. Our approach also encourages two-way non-hegemonic conversations between the Global North and the Global South and invites scholars of the political economy of development and scholars of the political economy of advanced capitalist economies to include places and contexts which combine characteristics of both worlds.

Secondly, we urge more scholarship to concentrate on the role of firms in overcoming semi-peripheral constraints, including on the types of firms that are often overlooked. Those include SMEs and not just those in high-tech sectors, which have received a disproportionate amount of academic and policy attention (e.g., see European Commission 2020), but also SMEs in a range of other sectors that are far more geographically distributed and employ much larger shares of the population.

Finally, by identifying some multilevel strategies that firms use to overcome conditions that structure their semi-peripheral position in the global economy, we hope to stimulate further research on how inter-firm alliances can arise in the

semi-periphery and on how public authorities can empower firms and their allies to strengthen their governance arrangements and achieve their objectives. How can economic actors improve their associational capacities in disarticulated contexts? Who leads those efforts, and what are the implications in terms of who benefits? How can local inter-firm alliances become more inclusive, not just in terms of firm types but also in terms of gender and ethnic representation? To what extent can inter-firm alliances succeed in the absence of facilitative macro-institutions? Under which conditions can semi-peripheral states create facilitative overarching institutions? Can transnational integration regimes contribute to that process? We believe this research agenda can greatly enhance our understanding of variation in developmental outcomes in the global semi-periphery and beyond.

Acknowledgements We would like to thank the late sociologist Marina Hughson whose research on knowledge production in the semi-periphery and personal friendship has inspired our work. We are also grateful to the participants at the panel on “innovation-led growth in the semi-periphery” at the 2022 SASE annual conference and at two workshops on “the political economy of local development in the semi-periphery,” held at the University of Belgrade in May 2022 and at LSE in March 2023, for excellent comments on this special issue project and on previous drafts of our article. Finally, we would like to thank three anonymous reviewers for excellent comments on our introduction and the special issue as a whole. The usual disclaimer applies.

Funding This research has been supported by Sonja Avlijaš’ EU Horizon 2020 Marie Skłodowska-Curie Individual Fellowship, grant number 895519, and by Kira Gartzou-Katsouyanni’s 2022 Economic and Social Research Council (ESRC) Postdoctoral Fellowship, grant reference ES/W00710X/1.

Open Access This article is licensed under a Creative Commons Attribution 4.0 International License, which permits use, sharing, adaptation, distribution and reproduction in any medium or format, as long as you give appropriate credit to the original author(s) and the source, provide a link to the Creative Commons licence, and indicate if changes were made. The images or other third party material in this article are included in the article’s Creative Commons licence, unless indicated otherwise in a credit line to the material. If material is not included in the article’s Creative Commons licence and your intended use is not permitted by statutory regulation or exceeds the permitted use, you will need to obtain permission directly from the copyright holder. To view a copy of this licence, visit <http://creativecommons.org/licenses/by/4.0/>.

References

- Aiginger, Karl, and Dani Rodrik. 2020. Rebirth of industrial policy and an agenda for the twenty-first century. *Journal of Industry, Competition and Trade* 20 (2): 189–207. <https://doi.org/10.1007/s10842-019-00322-3>.
- Amsden, Alice. 2001. *The rise of “the rest”: Challenges to the West from late-industrializing economies*. Oxford: Oxford University Press.
- Ang, Yuen Yuen. 2020. *China’s gilded age: The paradox of economic boom and vast corruption*. Cambridge: Cambridge University Press.
- Avlijaš, Sonja. 2022. How regional integration agreements can foster inclusive growth: Lessons from exporting SMEs in the Western Balkans. *Economic Annals* 67 (235): 67–93. <https://doi.org/10.2298/EKA2235067A>.
- Avlijaš, Sonja, Pavle Medić, and Kori Udovički. 2023. Reconfiguring FDI dependency: SMEs as emerging stakeholders in an advanced peripheral export-led growth model. *Competition & Change (online)*. <https://doi.org/10.1177/10245294231209277>.

- Blažek, Jiří, and Viktor Květoň. 2023. Towards an integrated framework of agency in regional development: The case of old industrial regions. *Regional Studies* 57 (8): 1482–1497. <https://doi.org/10.1080/00343404.2022.2054976>.
- Bohle, Dorothee, and Bela Greskovits. 2012. *Capitalist diversity on Europe's periphery*. Ithaca: Cornell University Press.
- Breznitz, Dan. 2021. *Innovation in real places: Strategies for prosperity in an unforgiving world*. New York: Oxford University Press.
- Bruszt, László, and Julia Langbein. 2014. Strategies of regulatory integration via development. In *Leveling the playing field: Transnational regulatory integration and development*, ed. László. Bruszt and Gerald McDermott, 58–79. Oxford: Oxford University Press.
- Bruszt, László, and Julia Langbein. 2020. Manufacturing development: How transnational market integration shapes opportunities and capacities for development in Europe's three peripheries: Introduction to the special issue. *Review of International Political Economy* 27 (5): 996–1019. <https://doi.org/10.1080/09692290.2020.1726790>.
- Bruszt, László, and Visnja Vukov. 2018. Governing market integration and development—Lessons from Europe's eastern and southern peripheries: Introduction to the special issue. *Studies in Comparative International Development* 53 (June): 153–168. <https://doi.org/10.1007/s12116-018-9264-3>.
- Bulfone, Fabio. 2023. Industrial policy and comparative political economy: A literature review and research agenda. *Competition & Change* 27 (1): 22–43. <https://doi.org/10.1177/10245294221076225>.
- Garcia Calvo, Angela. 2021. *State-firm coordination and upgrading: Reaching the efficiency frontier in skill-, capital-, and knowledge-intensive industries in Spain and South Korea*. Oxford: Oxford University Press.
- Cardoso, Fernando Henrique, and Enzo Faletto. 1979. *Dependency and development in Latin America*. Berkeley: University of California Press.
- Crouch, Colin. 2005. *Capitalist diversity and change: Recombinant governance and institutional entrepreneurs*. Oxford: Oxford University Press.
- Culpepper, Pepper. 2003. *Creating cooperation: How states develop human capital in Europe*. Ithaca and London: Cornell University Press.
- Doner, Richard F., and Ben Ross Schneider. 2016. The middle-income trap: More politics than economics. *World Politics* 68 (4): 608–44. <https://doi.org/10.1017/s0043887116000095>.
- European Commission. 2020. *An SME Strategy for a sustainable and digital Europe*. (COM(2020) 103 final). Brussels: European Commission. Last accessed on 14 January 2024. <https://eur-lex.europa.eu/legal-content/EN/TXT/?uri=CELEX:52020DC0103>.
- Feldmann, Magnus. 2019. Global varieties of capitalism. *World Politics* 71 (1): 162–96. <https://doi.org/10.1017/S0043887118000230>.
- Ferguson, William. 2013. *Collective action and exchange: A game-theoretic approach to contemporary political economy*. Stanford: Stanford University Press.
- Fischer, Edward. 2021. Quality and inequality: Creating value worlds with Third Wave coffee. *Socio-Economic Review* 19 (1): 111–31. <https://doi.org/10.1093/ser/mwz044>.
- Ford, Robert, and Will Jennings. 2020. The changing cleavage politics of western Europe. *Annual Review of Political Science* 23 (May): 295–314. <https://doi.org/10.1146/annurev-polisci-052217-104957>.
- Foster, Chase, and Kathleen Thelen. 2023. Brandeis in Brussels? Bureaucratic discretion, social learning, and the development of regulated competition in the European Union. *Regulation & Governance* (online). <https://doi.org/10.1111/regg.12570>.
- Gambetta, Diego. 1988. Mafia: The price of distrust. In *Trust: Making and breaking of cooperative relations*, ed. Diego Gambetta, 158–175. New York and Oxford: Basil Blackwell.
- Gartzou-Katsouyanni, Kira. 2020. “Cooperation against the odds: A study on the political economy of local development in a country with small firms and small farms”, PhD dissertation. London: LSE.
- Gartzou-Katsouyanni, Kira. 2023. Obstacles to local cooperation in fragmented, left-behind economies: an integrated framework. *Cambridge Journal of Regions, Economy and Society* (online). <https://doi.org/10.1093/cjres/rsad037>.
- Gartzou-Katsouyanni, Kira. 2024. How can public policies facilitate local cooperation? Insights from the EU's wine policy. *New Political Economy* (online). <https://doi.org/10.1080/13563467.2024.2305252>.
- Gerschewski, Johannes. 2021. Explanations of institutional change: Reflecting on a ‘missing diagonal.’ *American Political Science Review* 115 (1): 218–33. <https://doi.org/10.1017/S0003055420000751>.

- Granovetter, Mark S. 1973. The strength of weak ties. *American Journal of Sociology* 78 (6): 1360–80. <https://doi.org/10.1086/225469>.
- Hall, Peter, and David Soskice. 2001. An introduction to varieties of capitalism. In *Varieties of capitalism: The institutional foundations of comparative advantage*, ed. Peter Hall and David Soskice, 1–70. Oxford: Oxford University Press.
- Harriss, John. 2009. How much space is there for political agency in dependent economies? Reflections on papers on contemporary development inspired by Cardoso and Faletto's *Dependencia y Desarrollo En America Latina*. *Studies in Comparative International Development* 44 (December): 435–440. <https://doi.org/10.1007/s12116-009-9046-z>.
- Henrikson, Magnus, and Ulf Jakobsson. 2001. Where Schumpeter was nearly right – the Swedish model and capitalism, socialism and democracy. *Journal of Evolutionary Economics* 11 (May): 331–358. <https://doi.org/10.1007/s001910100082>.
- Horner, Rory. 2020. Towards a new paradigm of global development? Beyond the limits of international development. *Progress in Human Geography* 44 (3): 415–436. <https://doi.org/10.1177/0309132519836158>.
- Hughson, Marina and Sonja Avlijaš. 2024. “Theorizing from a void: Epistemic lessons from the semi-periphery”. In *An Invitation to Non-Hegemonic World Sociology*, ed. Eric Macé, 105–124. London: Rowman & Littlefield.
- Iversen, Torben, and David Soskice. 2019. *Democracy and prosperity: The reinvention of capitalism in a turbulent century*. Princeton and Oxford: Princeton University Press.
- Jones, Randall S., and Jae Wan Lee. 2018. *Enhancing dynamism in SMEs and entrepreneurship in Korea*. (Economics Department, Working Papers No.1510, ECO/WKP(2018)58). Paris: OECD. Last accessed on 14 January 2024. [https://one.oecd.org/document/ECO/WKP\(2018\)58/En/pdf](https://one.oecd.org/document/ECO/WKP(2018)58/En/pdf).
- Kalyvas, Stathis. 2020. The developmental trajectory of the Greek state. In *The Oxford handbook of modern Greek politics*, ed. Kevin Featherstone and Dimitri A. Sotiropoulos, 23–37. Oxford: Oxford University Press.
- Kang, Nahee, and Eva Paus. 2020. The political economy of the middle income trap: The challenges of advancing innovation capabilities in Latin America, Asia and beyond. *The Journal of Development Studies* 56 (4): 651–656. <https://doi.org/10.1080/00220388.2019.1595601>.
- Kharas, Homi, and Harinder Kohli. 2011. What is the middle income trap, why do countries fall into it, and how can it be avoided? *Global Journal of Emerging Market Economies* 3 (3): 281–89. <https://doi.org/10.1177/097491011100300302>.
- Klingler-Vidra, Robyn, and Robert Wade. 2020. Science and technology policies and the middle-income trap: Lessons from Vietnam. *The Journal of Development Studies* 56 (4): 717–731. <https://doi.org/10.1080/00220388.2019.1595598>.
- Kyle, Jordan, and Danielle Resnick. 2019. Delivering more with less: Subnational service provision in low capacity states. *Studies in Comparative International Development* 54: 133–163. <https://doi.org/10.1007/s12116-018-9276-z>.
- Leff, Nathaniel H., Rachael Behr, Jeffrey Frieden, and Shelby Grossman. 2021. Trust and envy: The political economy of business groups in developing countries. *Studies in Comparative International Development* 56: 297–315. <https://doi.org/10.1007/s12116-021-09339-4>.
- Maggor, Erez. 2021. The politics of innovation policy: Building Israel's 'neo-developmental' state. *Politics & Society* 49 (4): 451–87. <https://doi.org/10.1177/0032329220945527>.
- Martin, Ron, Ben Gardiner, Andy Pike, Peter Sunley, and Peter Tyler. 2021. *Levelling up left behind places: The scale and nature of the economic and policy challenge*. London: Routledge.
- Matthijs, Matthias, and Sophie Meunier. 2023. “Europe’s geoeconomic revolution: How the EU learned to wield its real power.” *Foreign Affairs* 102 (5) : 168–179.
- Mazzucato, Mariana. 2018. Mission-oriented innovation policies: Challenges and opportunities. *Industrial and Corporate Change* 27 (5): 803–15. <https://doi.org/10.1093/icc/dty034>.
- Mazzucato, Mariana. 2013. *The entrepreneurial state: Debunking public vs. private sector myths*. London: Anthem Press.
- McDermott, Gerald. 2007. The politics of institutional renovation and economic upgrading: Recombining the vines that bind in Argentina. *Politics & Society* 35 (1): 103–43. <https://doi.org/10.1177/0032329206297185>.
- McNamara, Kathleen. 2023. Transforming Europe? The EU’s industrial policy and geopolitical turn. *Journal of European Public Policy*. <https://doi.org/10.1080/13501763.2023.2230247>.
- Meurs, Mieke, and Rasika Ranasinghe. 2003. De-development in post-socialism: Conceptual and measurement issues. *Politics & Society* 31 (1): 31–53. <https://doi.org/10.1177/0032329202250159>.

- Molina, Oscar, and Martin Rhodes. 2007. "The political economy of adjustment in mixed market economies: A study of Spain and Italy". In *Beyond varieties of capitalism: Conflict, contradiction, and complementarities in the European economy*, ed. Bob Hancké, Martin Rhodes, and Mark Thatcher, 223–51. Oxford: Oxford University Press.
- Naczyk, Marek. 2022. Taking back control: Comprador bankers and managerial developmentalism in Poland. *Review of International Political Economy* 29 (5): 1650–1674. <https://doi.org/10.1080/09692290.2021.1924831>.
- Naseemullah, Adnan. 2016. *Development after statism: Industrial firms and the political economy of South Asia*. Cambridge: Cambridge University Press.
- Naseemullah, Adnan. 2022. The international political economy of the middle-income trap. *The Journal of Development Studies* 58 (10): 2154–2171. <https://doi.org/10.1080/00220388.2022.2096440>.
- Nölke, Andreas, and Arjan Vliegthart. 2009. Enlarging the varieties of capitalism: The emergence of dependent market economies in East Central Europe. *World Politics* 61 (4): 670–702. <https://doi.org/10.1017/S0043887109990098>.
- OECD. 2018. *Good jobs for all in a changing world of work: The OECD jobs strategy*. Paris: OECD.
- Ornston, Darius, and Mark I. Vail. 2016. The developmental state in developed societies: Power, partnership, and divergent patterns of intervention in France and Finland. *Comparative Politics* 49 (1): 1–21. <https://doi.org/10.5129/001041516819582964>.
- Ostrom, Elinor. 1990. *Governing the commons: The evolution of institutions for collective action*. Cambridge: Cambridge University Press.
- Ostrom, Elinor. 2014. "Beyond markets and states: Polycentric governance of complex economic systems." In *Choice, rules and collective action. The Ostroms on the study of institutions and governance*, ed. Filippo Sabetti and Paul Dragos Aligica, 167–209. Colchester: ECPR Press.
- Palmer-Rubin, Brian. 2022. *Evading the patronage trap: Interest representation in Mexico*. Ann Arbor: University of Michigan Press.
- Paus, Eva. 2020. Innovation strategies matter: Latin America's middle-income trap meets China and globalisation. *The Journal of Development Studies* 56 (4): 657–679. <https://doi.org/10.1080/00220388.2019.1595600>.
- Pike, Andy, Andrés Rodríguez-Pose, and John Tomaney. 2014. Local and regional development in the Global North and South. *Progress in Development Studies* 14 (1): 21–30. <https://doi.org/10.1177/1464993413504346>.
- Post, Alison E. 2014. *Foreign and domestic investment in Argentina: The politics of privatized infrastructure*. New York: Cambridge University Press.
- Puente, Ignacio, and Ben Ross Schneider. 2020. Business and development: How organization, ownership and networks matter. *Review of International Political Economy* 27 (6): 1354–1377. <https://doi.org/10.1080/09692290.2020.1727548>.
- Rothstein, Sidney A. 2022. Toward a discursive approach to growth models: Social blocs in the politics of digital transformation. *Review of International Political Economy* 29 (4): 1211–1236. <https://doi.org/10.1080/09692290.2021.1895278>.
- Sabel, Charles. 1993. Studied trust: Building new forms of cooperation in a volatile economy. *Human Relations* 46 (9): 1133–70. <https://doi.org/10.1177/001872679304600907>.
- Schneider, Ben Ross. 2009. Hierarchical market economies and varieties of capitalism in Latin America. *Journal of Latin American Studies* 41 (3): 553–575.
- Vázquez-Carrasco, Rosario, and M. Eugenia Lopez-Pérez. 2013. Small and medium-sized enterprises and corporate social responsibility: A systematic review of the literature. *Quality and Quantity* 47 (6): 3205–18. <https://doi.org/10.1007/s11135-012-9713-4>.
- Wallerstein, Immanuel. 1976. Semi-peripheral countries and the contemporary world crisis. *Theory and Society* 3 (4): 461–83. <https://doi.org/10.1007/BF00161293>.
- Wallerstein, Immanuel. 1979. *The capitalist world economy*. Cambridge: Cambridge University Press.
- Wibbels, Erik. 2009. Cores, peripheries, and contemporary political economy. *Studies in Comparative International Development* 44 (December): 441–449. <https://doi.org/10.1007/s12116-009-9044-1>.
- World Bank and the Development Research Center of the State Council, P.R. China. 2013. *China 2030: Building a modern, harmonious, and creative society*. Washington, D.C: World Bank. <https://doi.org/10.1596/978-0-8213-9545-5>.

Sonja Avlijaš is Assistant Professor in Economic Policy and Development at the University of Belgrade's Faculty of Economics and Business, where she was previously a Marie Skłodowska-Curie Fellow. She earned her PhD from the London School of Economics and Political Science (LSE), and has held research and teaching positions at Sciences Po – Paris and Stanford University. Her research focuses on the political economy of inclusive growth and development in the semi-periphery.

Kira Gartzou-Katsouyanni is a Leverhulme Trust Early Career Fellow at the Department of Politics and International Relations of the University of Oxford. Previously, she was the Hellenic Bank Association Postdoctoral Fellow at the LSE's Hellenic Observatory, and an ESRC Postdoctoral Fellow at the LSE's European Institute, from where she also holds her PhD. Her research focuses on the politics and political economy of place in European countries.