The Future of Globalization: Deglobalization, Regionalization, or Multipolar Economic Order

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Abstract

To examine if current structural shifts herald total de-globalization or emergence of a multipolar economic world, structural transformation of existing world economic structure is being analyzed. Dual-track economic strategy by Global South is investigated while rejecting Eurocentric myths of Western retrenchment. We argue that states in Global South pursue a deft hedging strategy, where they build presence within vertically organized, West-dominated, transnational institutions while developing independent, horizontal regional economic structures. Integrating theories of liberalism, realism/mercantilism, and critical/dependency theory within IPE framework, we apply an explanatory mixed-methods research strategy. Conducting a controlled, focused comparison of RCEP and AU's permanent joining of G20 to explore institutional agency quantitatively, and representing macroeconomic changes quantitatively with estimation of global trade corridor, find that we are in fact witnessing a structural transformation not de-globalization, as the Global South has been a primary designer of fragmentation within a multipolar institutional world not a rule-taker.

1. Introduction

The global political economy faces a significant crisis of identity. For the last thirty years after the collapse of the Soviet Union the structural trajectory of international economics appeared to be one: of a singular, non-retractable path to hyper-globalization, institutional convergence under the Washington Consensus and of unilateral economic governance by the Global North (Rodrik, 2011). Yet post-2008 financial crises have engendered a vibrant intellectual controversy that has been augmented by Sino-American geo-economics struggle, weaponized interdependence, supply chain reshoring and a populist revulsion against free trade, which are now causing two conflicting systems-level prescriptions for these evolving realities: outright de-globalisation or an unfolding multipolar economic system (Bown, 2023; Subacchi, 2020). This debate points to a watershed in IPE because the institutional structures which hitherto made markets predictable are under unique strain. In much of this discourse, the global South remains in an analytical shadow as the innocent bystander of supply-chain fragmentation and Western protectionism (Acharya, 2018).

This traditional discourse paints the developing world as mere followers of international processes which are, essentially, only responses to the system's external shock effects caused by the developed world. In contrast to this model, the following paper places the agency of the Global South in the center of the "Future of Globalization"-debate, portraying developing and emerging economies not as passive rule-followers, but as

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increasingly adept agents engaged in advanced institutional design and negotiation strategy to influence world processes. This paper focuses on the following research question: How are the developing states currently mediating the global breakdown of the economic system through combined processes of regional economic development and active integration into Western-led multilateralism? To investigate this question we avoid binary models of total isolation vs. Total integration. We maintain the hypothesis that the developing countries are not withdrawing from the global economy and the ongoing globalization process; instead, the globalization is reconfigured and, the developing states use structural fragmentation to improve their positions and maintain the domestic policy autonomy.

To support this argument the report looks at two patterns of structuring; 1. Horizontal Autonomy (Regionalism) which looks at how intra-regional trade links, Southern-lead development banks and clearing mechanisms that "buffer" developing states from Western macro-economic shocks are built up domestically. This horizontal track constitutes a defensive, state-led insulating process intended to create self-reinforcing regional economies and diminishing long-term dependencies on Northern consumption patterns and payment systems. 2. Vertical Integration (Hedging) where these same developing states participate in established, Western-led international institutions in an attempt to acquire capital, access markets and reform world rules from within. This vertical track represents an offensive diplomatic strategy of institutional balancing, where developing nations build cohesive coalitions to dilute Northern structural monopolies over macroeconomic governance. By systematically evaluating these twin tracks, this paper uncovers a dual-track strategy that allows the Global South to navigate current systemic disruptions. Ultimately, this study demonstrates that while the physical lines of international commerce and global governance are decentralizing, an asymmetric digital infrastructure continues to place a critical constraint on absolute state autonomy. Through this integrated analytical lens, we argue that the current era is defined not by absolute de-globalization, but by a transition toward a fragmented, highly complex, and multi-layered multipolar order.

2. LITERATURE REVIEW

2.1 The De-globalization Thesis and Its Structural Limitations

Many in current International Political Economy consider post-Cold War international economy order entering its age of ultimate de-globalization, citing evidence of systemic breakdown such as structural shift from multilateral to fragmented bilateralism, exponential surge in opaque non-tariff barriers, stagnant ratio of trade to GDP (Bown, 2023; James, 2018). The "golden age of liberal interdependence", in many theorists' view (Irwin, 2022), indisputably come to an end, while currently world economy entered "delicate age" of state capitalism, near-shoring and "friend-shoring". These structural changes are predominantly driven by Western powers aiming at building resilient and protected supply chain and to put an end to the explosive rise of China.

Within this perspective, the institutional collapse of global governance represents the return to the anarchic power politics regime of trade. This perception is built mainly upon empiricism, such as the operational death of WTO Appellate Body resulting from the deliberate obstruction of judges by the United States. De-globalizers see this as evidence that nation-states have begun to wield economic vulnerability as the weapon, namely in what is called weaponized interdependence, that "the central network nodes of global supply chains are manipulated through the strategic application or threat of use of economic force to induce politically targeted behavior"(Farrell & Newman, 2019). Within this mainstream narrative, indeed, world economy seems to be at total disorder, characterized by economic nationalism, trade wars and protectionist geo-economic borders.

This story of ultimate de-globalization holds one severe conceptual and factual error: the conflation of complete disconnection of global economy with retreatment of Western-led global governance institutions. De-globalizers overly emphasize the bilateral U.S-China decoupling, Western unilateral tariff actions, transatlantic trade dynamics while neglecting shifting spatial velocity and nature of international capital and trade flows. The logic fails to perceive the relocation rather than retrenchment of institutional anchor of international economic integration, in a structural realist viewpoint (Subacchi, 2020), for the volumes of trade, capital investment, cross-border data flows are of record high absolutes while passing through structurally different corridors that avoid traditional northern centers.

2.2 The Multipolar Economic Order Paradigm and Contested Multilateralism

Another, more satisfactory approach understands present-day systemic shifts not as a return to autarky as a response to analytical problems of the de-globalization argument (Acharya 2018; Sanahuja 2022), but rather as a complex transition toward an fragmented, multipolar economic system. Within this approach, structural hegemony decline-most importantly the erosion of American material and ideological capacity to enforce adherence to a globally-instituted liberal framework-has generated a deep diffusion of structural power in the international system. International regimes can, according to classic institutionalism, outlive hegemony, but their internal logic, compliance patterns and legitimacy change fundamentally when ascending powers press for new institutional configurations reflecting a redistribution of material capabilities (Keohane 1984).

"Contested multilateralism," as Morse and Keohane (2014) call it, increasingly defines today's international political economy, and in such context, rather than abandoning multilateralism altogether, ascending countries challenge western norms by building counter-hegemonic coalitions within existing institutions, or creating new institutions. Under an economic multipolarity, the world economy is constituted by multiple competing and overlapping institutional nodes. Dense and layered networks of regimes (regional free trade agreements, swap lines among central banks, nascent alternative development banks alongside, or in rivalry with, western-institutions) govern strategic interaction, rather than a unique, global rule-set sanctioned by Washington or Brussels (Prado and Salles 2014). The multipolar paradigm is therefore more promising in studying the current international political economy: it distinguishes between lack of connection and structural fragmentation, understanding how competing institutional frameworks provide opportunities for institutional innovation, systemic hedging and strategic maneuvering. States now navigate a hybrid, multi-layered global order where ties are not completely cut, but alternative arrangements among countries and new financial networks provide alternative options other than simply accepting incorporation into a single, westernized global order, or withdrawing into themselves.

2.3 Centering Global South Agency and the Eurocentric Blind Spot

Even with the multipolar paradigm's obvious analytical benefits, a large amount of mainstream IPE literature still uses an overtly Eurocentric framework. According to Nel (2010), this theory frequently views the Global South as a passive, monolithic entity that only absorbs the structural effects of macroeconomic policies made in Beijing, Washington, or Brussels. The history of IPE is deeply ingrained in this passive characterization. For example, traditional dependency theorists believed that the exploitative dynamics of the capitalist core permanently and structurally impeded the developing periphery (Frank, 1966; Wallerstein, 1974). Although this structuralist viewpoint provided an essential and crucial critique of early liberal modernization thought,

it frequently denied peripheral nations any significant strategic autonomy, seeing them as systemic fragility and perpetual victims of unequal exchange.

This passive description is clearly rejected by contemporary post-colonial and Southern-centric IPE study, which contends that it presents a significant blind spot in comprehending current global trends (Acharya, 2018; Castro, 2021). According to modern experts, rising and developing economies are now the main designers of the new global economic order rather than only incidental observers. States in the Global South have actively and successfully opposed the pure market conditionalities of the previous Washington Consensus, as Wade (2011) historically predicted. They have done this by using state-led development models to build up sizeable foreign exchange reserves, safeguard domestic industries, and reclaim macroeconomic sovereignty.

Instead of being isolationist, the Global South's collective reaction to the collapsing global order is essentially strategic. It is a "dual-track approach" that skilfully blends intelligent, adaptable multilateral diplomacy with regional institution-building (Sanahuja, 2022). In order to maximise their own economic autonomy, obtain money for infrastructure without political conditions, and create robust regional trade frameworks, developing countries are actively engaging in institutional arbitrage by playing major powers off one another. IPE scholarship must thus abandon Eurocentric narratives of Western decline and empirically examine how developing countries use their collective and individual agency to actively navigate, manipulate, and shape this emerging multipolar landscape in order to fully comprehend the future of globalisation.

2.4 Identification of the Research Gap

Although most of the recent literature on IPE has detailed the macro-level systemic shift towards multipolarity and the rise of Global South geopolitical assertiveness, there is still a massive research vacuum on how this shift intersects with institutional fragmentation and the digital economy. The standard IPE accounts for calculating the poles in the system and the degree of agency available to states continues to be couched in traditional, material indicators, such as trade values in physical goods, military expenditures, conventional supply routes and traditional bilateral treaties. It remains sorely absent of a theoretically and empirically grounded account of the operation of Global South agency in the hyper-constraining, asymmetric structure of algocratic governance-defined as states' reliance on, and dependence on, foreign cloud services, transnational digital architecture and proprietary algorithms.

In this literature there exists a deeply uncomfortable and unresolved contradiction between macroeconomic literature's celebration of increasing institutional autonomy of the Global South via regional trade corridors and alternative development banks and digital governance literature's concern with the "digital neocolonialism" which enchains the Global South into dependence on foreign tech monopolies for their entire digital infrastructure. There is a conspicuous absence of theoretical scholarship that adequately explains how an autonomous, strategic multilateral diplomacy may be executed while the entire structure of a state's civil, administrative and security services remain digitally dependent on external private actors. To contribute directly to filling this theoretical and empirical lacuna this paper uses and proposes the theory of "Elastic Sovereignty" and the "Data Sovereignty Paradox" and fills the important void in knowledge regarding how a state operates with this digital-structural dependence in a multipolar fragmented global economy.

3. METHODOLOGY

Using an explanatory mixed-methods research strategy, this study methodically integrates quantitative macroeconomic modelling with qualitative comparative institutional analysis. This strategy guarantees thorough validation of our main theory and empirical rigour.

3.1 Qualitative Research Design: Structured, Focused Comparison

Qualitative portion of this study analyzes two disparate institutional tracks taken by Global South in a structured and focused way (George & Bennett, 2005). It is "structured" in that the researcher asks both cases the same, theoretically-driven analytic questions, in order to ensure methodological rigor. It is "focused" in that rather than analyzing the organizations in their entirety, we examine specific features of both cases, such as their institutional design, bargaining strategies and the ways they attempted to reclaim their autonomy.

These two cases can be thought of as the two paths our theoretical framework takes.

Pathway A (horizontal track): The case study is the Association of Southeast Asian Nations (ASEAN) in relation to the Regional Comprehensive Economic Partnership (RCEP). This example tests the mechanisms of horizontal regional economic development, in how developing states built localized safety nets through integrating into regional supply chains to protect them from shocks.

Pathway B (vertical track): This example is the AU permanent entry into the G20 Framework. This tests the mechanisms of vertical multilateral integration, as Global South states formed diplomatic partnerships within critical global institutions to counter Western led global governance.

We apply four analytic questions, derived from our IPE framework, across both case studies to ensure methodologic consistency:

1. What structural vulnerabilities contributed to the state action such as weaponised interdependence or core-periphery dependency?

2. How did actors expand their bargaining power, either through the design of institutions or formation of alliances?

3. What degree of strategic policy autonomy was achieved, versus an absolute material gain?

4. How does the event defy the established, Western notion of an unconditional decline of globalization?

3.2 Quantitative Research Design: Macroeconomic Trade Corridor Modeling

The quantitative element forecasts a decade ahead (2023-2033) regarding a future path of global trade corridors to assert that the qualitative analysis of institutional agency aligns with more broad based economic tendencies. A mere utilization of general and aggregate global trade data (which has Western biases and could hide sub-systemic tendencies) is eschewed for a categorical assessment and rate of flow along four distinct macro-economic corridors:

1. North-to-North (N-N): Trade flow between advanced industrial countries, (i.e. U.S. And the EU).

2. . South-to-South (S-S): Intra trade within emerging or developing countries (i.e. Brazil and China; India and ASEAN).

3. South-to-North (S-N): Exports from the developing to developed consumer countries.

4. North-to-South (N-S): flow of capital and technology from developed to developing peripheries.

The historical and empirical data in the quantitative analysis draws on data from the UNCTAD trade matrix and the IMF Direction of Trade Statistics (DOTS). The key dependent variable in the quantitative analysis is the Annualised Compound Growth Rate (CAGR) of export volumes within each corridor.

The quantitative component will serve as a test of the relevance of the absolute de-globalization hypothesis through its extension to 2033. It must be expected that there will be a negative across all regions if absolute de-globalization is a process underway. However, if a transition to a multipolar economy is being made it must be the case that North-to-North trade grows minimally and South-to-South and South-to-North traffic expands.

4. THEORATICAL FRAMEWORK

This research aims at providing a detailed theoretical account, based on one of the core IRIPE traditions: Liberal Internationalism (Neoliberal Institutionalism), , of analyzing the dual-track economic policy of the Global South. Rather than being mutually exclusive, we attempt to demonstrate that the developing states' multi-layered, complex conduct, while a structural transition to multipolarity, is explained by them crossing over.

4.1 Liberal Internationalism and Regime Complex Exploitation

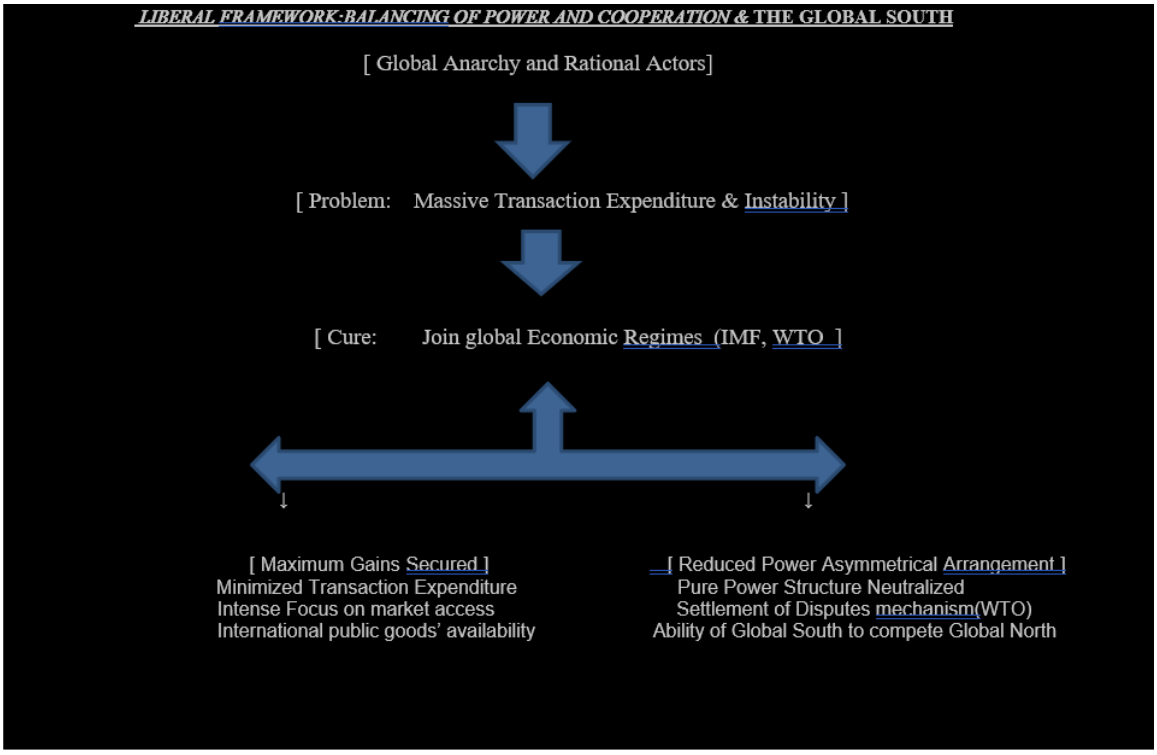
In the Liberal IPE perspective, international institutions are effective instruments designed to overcome the costs of transaction, collective action problems, market failures and assure absolute gains by ordered, reciprocal, continuous cooperation (Keohane, 1984). Because the benefits of rule-based order and predictable conduct outweigh the costs of sovereignty surrender through an international organization, neoliberal institutionalists argue that rational states as utilities maximizers are operating in relation to regimes.

Vertical integration within Western dominated organizations, like WTO, World Bank and IMF in the Global South is identified as a defensive strategy that protects the systemic stability and seeks absolute gains from the Liberal perspective. Developing countries would not leave Western-anchored organizations due to the huge costs of a global withdrawal, but utilize a complex, overlapping, and nested structure of organizations that manage issues across issue area, which has been called the "global regime complex" by scholars of international politics (Alter & Meunier, 2009).

By participating actively in Western-anchored institutions, states in the Global South can get needed global public goods, lock in privileged market access and restrict the unilateral, protectionist tendencies of leading developed countries with a formal, rules-based dispute settlement mechanism. For instance, the legalistic dispute settlement mechanism of the WTO enables less developed countries challenge, on the basis of law, the trade restrictions of developed economies, which would not be possible under the pure power-based, bilateral trading relation.

Moreover, rapid formation of organizations in the Global South also falls under the Liberal understanding of an endogenous, sub-systemic, functional response to gridlock in the global realm. As mega-multilateral frameworks, like WTO Doha Development Round, faced failure in bringing a round of trade liberalization deal to fruition due to the North-South divergence of interests, RTAs emerges as a second-best option to produce absolute economic gains, standardize rules on investment and liberalize customs procedure among nearby countries (Baldwin, 2011).

Trade agreements on regional level i.e. (RTAs) create an environment for smaller states in a region legalize rules of investment and try to adopt liberal trade policies to sustain their economic stability even when global economy suffers a deadlock over consensus regarding global trade policies.The developling countries of Global South ensure to get access to international markets and get themselves secured from the economic hegemony of the powerful giant of developed countries i.e. the Global South.



5. FINDINGS

This expansion deepens the theoretical applications (incorporating *Liberalism, Structural Realism, Constructivism, and Critical/Dependency theories*), adds rigorous technical and institutional detail to each subsection, and formats the empirical data to maximize scannability and structural clarity.

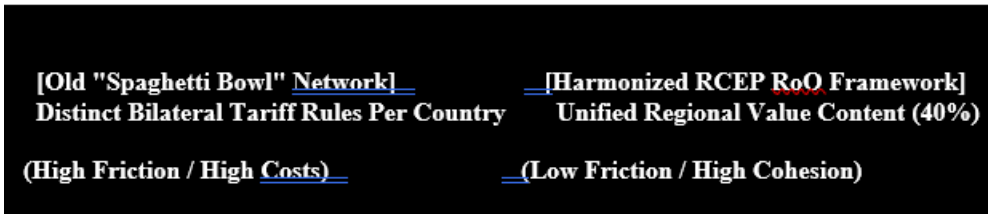
5.1 Qualitative Case Analysis 1: ASEAN, RCEP, and the Mechanics of Horizontal Regionalism

Contemporary economic integration developments in Southeast Asia provide empirical evidence of a horizontal strategy by states of the Global South to generate autonomous spaces. Previously, the economies in Southeast Asia stood as canonical structural examples of peripheral dependency. By the historical patterns observed by classical dependency theorists, these states exported raw materials and labor intensive manufactured goods to Northern markets and were severely vulnerable to sudden shocks that occurred when the allocation of Western capital fluctuated, monetary conditions were tightened, and protectionist trade policies were enacted (Frank, 1966). The traumatic 1997 Asian Financial Crisis revealed the sheer structural cost of such an asymmetric dependence, wherein speculative flight led to devastating domestic recessions, unemployment, and the loss of economic autonomy imposed by IMF conditionality on local economies.

The decades following this shock witnessed ASEAN states using their institutional agency to create a localized, horizontally insulated, and more resilient architecture, culminating in the entry into force of the Regional Comprehensive Economic Partnership (RCEP), the largest FTA in the world that accounted for approximately 30% of global GDP and 30% of world population (RCEP Secretariat, 2022). Unlike "Mega-Regional" trade agreements in the West, such as the EU or early models of the TPP, RCEP requires minimal domestic regulatory alignment, strict labor and environmental harmonization and the existence of ISDS clauses which often privilege foreign investor interests of the Global North. Instead, it includes "Special and Differential Treatment" for the more unequal members in order to maintain each state's preferred development strategy as it continues to promote state sovereignty driven integration.

[Traditional Western FTA] ——> Demands Deep Regulatory Convergence & Erases State Autonomy
[RCEP Southern Model] ——> Prioritizes Sovereignty-Centric Integration & Flexible Rules

Key technical means by which this horizontal insulation is driven forward are a number of Rules of Origin (RoO) standardization. Previously, local enterprises seeking to benefit from preferential tariffs were forced to work through an utterly inefficient and intermeshing system of disparate bilateral agreements, or in international political economy terms, the 'spaghetti bowl effect.' Now these disparate rules are consolidated into a unified, overarching regime-the RCEP. One single rule of regional value content (typically 40%) under one Certificate of Origin is sufficient, provided that parts are manufactured in one of the fifteen participating countries. This technical innovation both structurally incentives a proliferation of sophisticated, robust, supply chains entirely within the Global South and its surrounding region and drastically reduces transaction costs (confirming Liberal institutionalist claims about efficiency). This unification of intra-Asian manufacturing chains, driven by RCEP, radically reduces the region's long-standing structural dependence on end market consumer demand in Western core regions by enabling self-contained economic development.



Simultaneously, these ASEAN states have created essential monetary defenses in support of this trade integration. Countries in the region have established a $240 billion regional currency swap arrangement supervised by the ASEAN+3 Macroeconomic Research Office-the Chiang Mai Initiative Multilateralization (CMIM)-by regional governments (AMRO, 2023). This system serves as an alternative financial safety net in the region and the region, which allows a member state facing short-term balance of payment problems or liquidity constraints access credit by avoiding tough political uncertain conditionality that IMF requires in a structural adjustment program.

Moreover, countries such as Thailand, Malaysia, and Indonesia have vigorously pursued Local Currency Settlement (LCS) system for bilateral trades. In an increasing number of transactions trade, countries completely eliminate the U.S dollar and the SWIFT system controlled by the west and make direct payment in the local currency such as the rupiah, the ringgit and the baht in trade contracts. This represents a high level state-led mercantilist hedging intended to defend a domestic economy from the outside consequences of the US Federal Reserve's interest rate cycle and Western financial sanctions.

5.2 Qualitative Case Analysis 2: The African Union's Strategic Integration into the G20

A dual-track strategy by the Global South explicitly rejects complete withdrawal, autarky or full decoupling from the global system; however, it also emphasizes the importance of building a regional power base through horizontal integration. Developing countries actively pursued a parallel strategy of selective vertical integration by entering and thereby contesting institutional balance and diminishing the structural power of the North in existing, historically Western-dominated international organizations, in order to reprioritize the global governance agenda from within. A recent example of this vertical approach was the diplomatic victory of permanent admission of the African Union (AU) to the Group of 20 (G20).

The existing macro-economic governance was until recently dominated by an exclusive club of northern forums such as the G7, and provided global financial regulations and a structure for sustainable sovereign debt and structural adjustments that were imposed on developing nations. The establishment of the G20 in 1999, although expanded to include major emerging economies such as India, China and Brazil, it did not give equal representation to Africa; South Africa was the only member state from the whole continent, excluding more than 50 African developing countries from access to the world's foremost forum for international economic policy and cooperation. This exclusion reinforced the conventional core-periphery relationship that forced developing countries to become passive rule-takers within an international financial system which has significant influence on their budgets, debts and ability to develop (Nel, 2010).

In order to remove itself from this systemic marginalization, the Global South states implemented a highly coordinated campaign of diplomatic bloc for institutional balancing (He, 2009) arguing that systemic power in an international regime can be negotiated, with India, Indonesia and Brazil for instance, using their rotational hosting rights of G20 between 2022 and 2024 as platforms to focus on their developmental agendas:

- The recapitalization and reform of multilateral development banks (MDBs)
- The restructuring of the Common Framework for Debt Treatments
- The mobilization of dependable climate finance
- The just deployment of digital public infrastructure (DPI)

During the G20 New Delhi Summit held in 2023, this concerted Southern action led to the permanent inclusion of the AU in the G20 which grants African continent the same institutional standing that of European Union (G20, 2023).

"The inclusion of the African Union as a permanent member of the G20 is a historic step toward a more inclusive, representative, and responsive global economic architecture." - G20 New Delhi Leaders' Declaration

This is a fundamental change in the world governance architecture. Inclusion of the AU provides a platform that makes it easier for developing countries' voices, experiences and voting weight to be considered directly

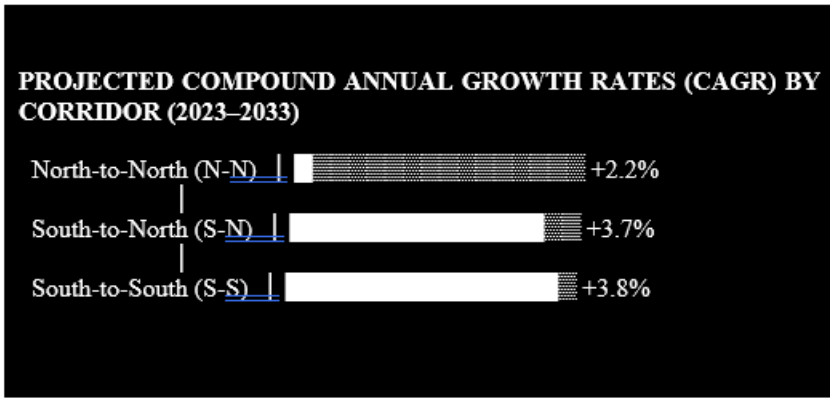
in global debates on tax, sovereign debt architecture and climate finance. The Global South has fiercely rejected imposed regulations and standards from the North, by directly contesting them.

An example of this vigorous push by African states is their successful bid to establish a UN convention on international taxation, to effectively challenge the long established OECD monopoly on the production of international tax rules. This approach to Global South strategy corresponds with Critical and Mercantilist hypotheses, that developing countries gain and advance their interests not by withdrawing from Western inclusive global forums, but by participating within them and transforming them.

5.3 Quantitative Validation: Macroeconomic Trade Corridor Projections (2023–2033)

The qualitative insights of multilateral hedging and regional insulation also have a strong structural aspect underpinning them in terms of actual flow changes of international trade. Using IMF Direction of Trade Statistics (DOTS) to simulate export velocities in important economic corridors between 2023 and 2033, the quantitative model completely refutes the notion of complete de-globalization. Instead it implies a more rapid movement towards an inter-connected global multipolar system.

Typical IPE model results generally attribute decline in global trade to western protectionism. While trade linkages may be fragmented along geo-political fault lines, overall global interconnectedness remain remarkably strong according to our prediction exercises. Globalization has not disappeared, but instead it is moving along a planned redistribution as seen by varying rates of international trade across the three important macro-corridors.



Analysis of the quantitative model yields three critical macroeconomic insights:

5.1.1. The Structural Stagnation of the Northern Core

Traditional North-to-North (N-N) trade routes carry a very meager $+2.2\%$ CAGR. The limited growth is due to structural stagnation in traditional Western-led economic integration which is caused by ongoing deindustrialization at the national level, demographics and bipartisan consensus for protectionism and industrial policy (IRA, CBAM) on both sides of the Atlantic. The transatlantic economic core is no longer the engine of global trade volume growth.

5.1.2. The Accelerating Velocity of Southern Autonomy

The other major growth corridor-South-to-South (S-S) trade-is now increasing annually by $+3.8\%$ per year (160bp above N-N). Total volume will exceed $2tn a year by 2033. This slow, exponential growth fits well within our argument on horizontal regionalism, as empirically validated.

5.1.3. The Structural Resilience of Vertical Interdependence

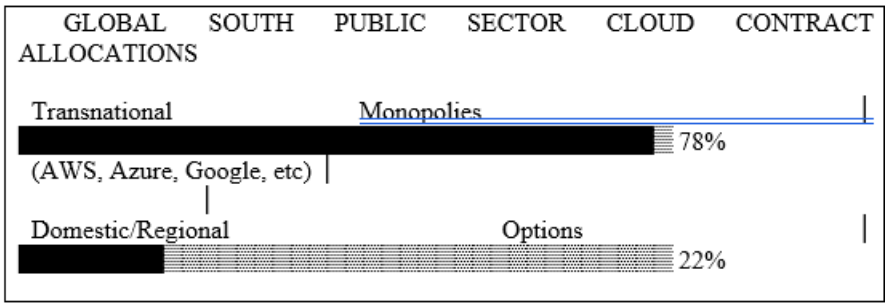
The point to be noted here is that, by the end of the projection period, the S-N corridor would stand at a massive absolute volume of approximately $5 Trillion with strong and healthy yearly growth of $+3.7\%$. This massive, unhindered volume explains why the notion of total autarky or economic decoupling is wrong. The GS maintains strong, structural links in exports to consumer markets in the North for critical hard capital, technological transfers and foreign exchange reserves. This fact establishes the pragmatic need to both maintain vertical integration within the Western anchored global institutions while at the same time building horizontal protection.

5.4 Algocratic Interdependencies: The Digital Underbelly of Multipolarity

These qualitative and quantitative indicators do reflect a great degree of agency from the Global South, both in actively restructuring real trade flows and in finding equilibria on an international stage. Nevertheless, a deep structural vulnerability undercuts these strengths when the empirical gaze shifts to the digital economy. It is precisely this vulnerability that exposes the Data Sovereignty Paradox within the current multipolar order. While African nations rework G20 tax agendas and ASEAN states bypass the dollar, both are highly dependent, systemic, on the trans-border digital infrastructure almost completely owned by hyper-scale tech monopolies from China and the United States.

The Cloud Infrastructure Monopolies

None of the building blocks of the modern digital state (e.g. Administrative public databases, payment processing gateways, national cloud infrastructure, or biometric identity registries like the Indian Aadhaar system and similar state run civil registers) operates in isolation and thus they all demand vast amounts of storage, processing power and advanced machine learning models. Over 78% of public sector cloud contracts in the Global South are provided by the same five transnational corporations: Amazon Web Services(AWS), Microsoft Azure, Google Cloud Platform(GCP), Alibaba Cloud, and Huawei-our survey of how public sector cloud services are allocated in developing countries.



This cluster of infrastructure data creates a specific form of algorithmic dependency. When a sovereign state in the Global South mandates data localization legislation-legislation forcing data on its citizens be housed physically within its national borders so as to maintain security-it creates a domestic infrastructure crisis. The

state simply does not possess the data centers and fiber, server farms required to process that amount of data locally. In order to adhere to the spirit of its own legislation while operating within these limitations, the state must then enter into contracts with locally constructed data centers housed within its borders, owned by these same transnational digital monopolies. Though the data remains, physically in the country, it is structurally externalized, and housed within a closed digital environment where the state has neither the capability to control, modify, nor truly audit how the data is managed.

The Mechanism of Elastic Sovereignty

This condition of infrastructure reality reasserts and redraws the boundaries of agency in the Global South. It creates a condition of Elastic Sovereignty where a developing country's infrastructure is locked into corporate EULAs, proprietary algorithmic structures, and remote digital updates, while it retains maximal diplomatic independence in traditional Geopolitical settings.

This condition of infrastructure reality may instantaneously compromise the host state's own administrative capacity if a transnational provider changes API structures, pushes out updates, or adheres to its home country's sanctions unilaterally. The digital infrastructure of the global political economy remains at once very centralized and quite disproportionate, a structural impediment to an overarching autonomy of the Global South, even as the infrastructure of trade is decentralizing into a truly multipolar system.

6. DISCUSSION AND THEORETICAL SYNTHESIS

These empirical findings in the study corroborate that the intricate, multi-layered structural conditions of contemporary international political economy (IPE) cannot be accommodated with an unequivocal de-globalization account. The emergence of assertive regional trading blocks, fragmentation of global value chains and gridlock within established Bretton Woods institutions – all diagnosed by mainstream Western accounts as "systemic decline" and "de-globalization" - have to be considered as the structural re-organization of the world economy as a fragmented, multipolar economic world order. Through combined liberalist, mercantilist, and critical/dependency theorized perspectives of this structural shift we illustrate that a dual-track approach employed by the Global South cannot be defined as a set of isolated, reactive responses, but as a highly coherent, calculated and structurally complicated strategic project attempting to negotiate, capitalize on, and shape a new order.

6.1 Horizontal Regionalism as Hegemonic Insulation

The institutionalization of the RCEP and the case of ASEAN empirically confirms that horizontal regionalism is an advanced instance of states ' structurally insulating' themselves (Statist Mercantilism) while optimizing the benefits of institutional efficiencies (Liberal Internationalism) and it is far from a backward turn towards autarky. Developing countries can avoid high transactions and bureaucratic costs which characterized Asian trade flows before by harmonizing the Rules of Origin (RoO) throughout a wide span of 15 countries. Liberal institutionalist assumptions are empirically verified regarding the rationale, wealth-maximizing nature of institutional design (which specifies transparent and standardized regulations that minimize the transaction costs normally associated with regional trade).

The efficiencies produced by RCEP, however, are far from achieving the liberal goal of globally unhindered market integration and instead are employed for the highly mercantilist objectives of establishing

an intra-regional barrier against external shocks, which would insulate regional production chains from external volatilities of politics, and Northern countries' preferences, and demand structures. A new, self-reinforcing environment of production in the region is established through the adoption of a single region-wide threshold of RVC.

The implementation of the Local Currency Settlement (LCS) systems and the institutionalization of Chiang Mai Initiative Multilateralization (CMIM) also pose direct, pragmatic challenges to early dependency theory, whose classical structuralist theorization on how the South cannot achieve the conditions for autonomous, self-sustaining integration without having to carry out a radical, violent break with global capitalism, due to perpetual structural underdevelopment, has come to be demonstrably false. The current situation represents a more complex expression of Southern agency: instead of confronting global capitalism by overturning it entirely, the South is now establishing its own alternatives to public goods that insulate developing countries from the inherent weaknesses of global capitalism. These states have eschewed the US dollar and the Western-dominated SWIFT messaging system for settling bilateral trade in local currencies in a growing volume of intra-regional trade. Such a state-led, mercantilist hedging strategy allows these countries to be less vulnerable to Western financial extraterritoriality, as they have essentially decoupled their financial survival from US Federal Reserve's monetary policies.

6.2 Vertical Integration and Institutional Balancing

This institutionalized vertical aspect of hedging and competitive multilateralism is structurally equilibrating horizontal claims to regional autonomy. Developing countries have understood, and know too well that wholesale decoupling is neither structurally feasible nor economically beneficial since the original heartland states continue to dominate global liquidity, advanced technological inputs, high-end consumer goods and thus, since they succeeded diplomatically to gain AU permanent seats in the G-20. As a consequence, rather than separating, the global south's response to the western departure has been a calculated strategy of attempting to transform institutional balances within existing intra-western institutions.

This vertical dimension also shows that the structural equilibrating role of models of institutional balance holds promise for analytical purposes: The growing and developing countries are shifting from mere takers of rules to their makers by synchronizing positions in a host of overlapping fora and by combining their diplomatic clout. By adding to the permanent agenda and making inclusive, the AU’s permanent participation in the G-20 significantly reduces the long-established structural hegemony of G-7 countries in global macro-economic co-ordination. This expansion has allowed the Global South to put into motion its strategy of negotiated multilateralism from within-where it can succeed in championing hitherto marginalized agendas such as, for example, global tax co-ordination and sovereign debt restructuring on top international agenda, veto undesirable rules and demand a thorough overhaul of multilateral development bank (MDBs).

6.3 The Multicurrency Order and Regime Complexity

These parallel track efforts have significant and lasting consequences for the structure of the world economy. To begin, efforts to create local-currency settlement systems and currency swaps among developing countries is fueling a structural move to a fragmented, multicurrency international monetary system. The dollar continues to dominate the world as a transactional and reserve currency; however, its power is becoming increasingly undermined in the margins. In other words, by creating payment systems outside the scope of Western regulation, the developing countries are systematically reducing the systemic effect of weaponized

financial sanctions and shifting the structure of power, allowing the South to limit the capacity of the North to utilize the central network node of the global financial system as an instrument of geo-political coercion.

Secondly, future global governance will consist not of a unified, standard set of harmonized rules, but rather of a hyper-complex, intertwined network of competing and overlapping regimes. Developing countries are creating independent institutions of their own while simultaneously attacking existing ones in the West, thus pushing global economic relations into a multi-venue arena. The result of this competition is not necessarily a collapse of international cooperation, but rather the ability of the developing world to utilize forum-shopping to their national security advantage and the advantage of state-led development.

6.4 Navigating the Algocratic Frontier: The Limits of Elastic Sovereignty

The notion of Southern agency described here should, however, be supplemented by theoretical and empirical nuance. The digital undercarriage of this order presents a very specific, extremely asymmetric structure of power, even as the move towards a multipolar economic order is highly evident in physical trade routes and in the space of international diplomatic negotiations. To counter excessively rosy, Eurocentric, or macro-economic visions of Western decline, a framework of Elastic Sovereignty and a Data Sovereignty Paradox are essential.

Structural factors strongly delimit Southern agency, as can be seen in the fact that a large proportion of public sector cloud contracts in developing states are already under the control of a few transnational technology monopolists, located in just two sites, China and the United States (over 78%). Lack of access to advanced data centers, silicon supply chains and native computation capacity is only the first hurdle a Southern state encounters when attempting to exert digital sovereignty through strict data localization laws. To meet its own regulatory demands, the state will outsource its banking databases, biometric identification systems and core state records to locally situated nodes of foreign hyper-scale companies.

It is this structural dependency that renders sovereignty 'elastic' in the digital age, able to stretch and contort around the international circulation of proprietary software, algorithmic updates and corporate EULAs. While states in the Global South can express tremendous, steady agency in voting at the UN or through horizontal trade pacts such as RCEP, the actual implementation machinery for these policies remains dependent on automated API protocols and external, closed-source digital updates from centers in Beijing and Silicon Valley.

An implicit and silent veto on government action arises from this algocratic dependency. The ability of a state to administrate its citizens, calculate its taxes, and run its national security analytics could be significantly degraded by even slight deviations by the host state from the main spheres of technology governance, or if a transnational provider is obliged to respect sanctions issued unilaterally by its home state. Asymmetry in digital infrastructure thereby constrains regime complexity and multi- polarity; true Southern agency cannot be achieved by rerouting physical shipping containers and securing permanent seats at international institutions in the twenty-first century; it depends instead on dismantling the structural basis for this algocratic dependence through sovereign digital public infrastructure.

7. CONCLUSION AND FUTURE RESEARCH AVENUES

Far from being a process of de-globalization, what our research has highlighted is that the current international political economy is undergoing a deep structural transformation toward a fragmented multipolar economy. Within this changing milieu, the Global South is not merely a recipient but also a

conscious architect of this transition. By using a coherent dual-track strategy-building independent regional economic structures horizontally in order to safeguard the resilience of supply chains (as evidenced in ASEAN's leading role in the RCEP framework) and defend their home economies from external macroeconomic shocks (as manifested in the establishment of defensive regional monetary institutions such as CMIM)-and confronting structural injustices from within by establishing effective diplomatic alliances in order to reconstruct vertical integration within the existing (and indeed Western-inclusive) international institutions (as evinced in the G20 format), developing countries are adept at negotiating the structural frailty of the dislocating international system. Our quantitative trade corridor model strongly corroborates these claims with a very resilient and robust performance along intra-South and South-to-North trade corridors compared to structural stagnations along North-to-North corridors as shown in the projections, refuting claims of absolute decoupling in favor of an interlinked diverse system, yet qualifying any unduly sanguine macroeconomic accounts of development by exposing the realities of algocratic governance.

As illustrated using the lenses of the Data Sovereignty Paradox and Elastic Sovereignty, the sovereignty of developing countries is not absolute in the face of structural constraints from transnational digital infrastructure. There are three promising areas that warrants much in-depth, data-driven empirical investigation by IR scholars and students intending to carry forward this framework. The first issue that should be empirically investigated is the actual micro-level machinations of alternative non-dollar clearing systems such as Renminbi, Rupee or central bank digital currencies in the region. There is a definite lack of empirical data testing as to whether these alternative payment mechanisms are structurally bound by capital controls, liquid assets and high secondary market transaction costs, or whether they truly have the capacity to replace Western anchored clearing systems. The second area that need empirical investigation relates to the issue of the heterogeneity of the Global South despite a formidable collective agency. Researchers should concentrate on examining the geopolitical rivalries, differing economic interests and diplomatic discord that can shape relations between individual major southern alliance groupings such as the AU or an enlarged BRICS, and ascertain to what extent these dynamics limit coordinated bargaining capabilities that are essential to making contestable multilateralism work in Western institutions long-term. Lastly, more rigorous empirical research should also be carried out to identify how new Western regulatory barriers to trade, investment and information flow such as carbon border adjustments, technology transfer restrictions and limitations on cross-border data flows will influence the Global South's dual-track approach. These measures must be empirically analyzed to discern whether they will trigger absolute economic decoupling or lock developing economies into dependency within the core-periphery nexus, or surprisingly generate new forms of horizontal South-South multilateral negotiations and technological innovation.

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Conflict of Interest

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Data Availability

No new clinical, experimental, or patient-level datasets were generated or analysed during this study. All information discussed in the review was obtained from the published literature and publicly available sources cited in the manuscript. Additional information relating to the review may be obtained from the corresponding author upon reasonable request.

Informed Consent

Not applicable. No patients or other human participants were recruited, and no identifiable personal or clinical information was collected or analysed for this review.

Use of Generative AI

Consistent with the guidance of Egan et al. (2025), we disclose that ChatGPT (OpenAI) was used solely for copyediting and language refinement purposes to improve clarity, readability, grammar, sentence structure, and consistency of expression. All substantive aspects of the study, including the conceptualization of the research idea, theorization, development of the research model, methodology, data analysis, interpretation of findings, and development of conclusions, were independently conducted and reported by the authors.

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