21st Century Competition: State & Conglomeration-Driven Capitalism

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ABSTRACT

Indonesia needs to choose an economic model in order to realise its target of 8% GDP growth under Prabowo Subianto's incoming administration. This paper compares both China's state capitalism and South Korea's conglomerate-driven capitalism for their relevance to Indonesia. China's model, with a significant state intervention and SOEs prominent role, greatly driven industrialisation and average of 9% GDP growth over 30 years. Whilst South Korea's model, dominated by conglomeration, focuses more on innovation in tech and exports, thus achieving a stable 4% average GDP growth. Employing data from the World Bank on FDI, exports, and GDP in constant 2015 USD, this paper examines both of these models using the Comparative Political-Economy framework. The findings showed that the China's state capitalism to be more suitable for Indonesia due to capability of managing a large scale economy and the need of centralisation of resource control, infrastructure development and economic transitions. The blending of state control and market dynamics offers flexibility to tackle challenges in the economy. Nevertheless, the issues of inefficiencies must be in concern.
Keywords: Comparative Political-Economy, Conglomerate-Driven Capitalism, FDI, State Capitalism.
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1. INTRODUCTION

Indonesia is standing at a critical juncture in its economic trajectory, facing the quest of an ambitious GDP growth target of 8% under incoming Prabowo Subianto's administration. The target was set up in order to propel Indonesia's position into a more competitive level in the global economy. Nevertheless, such an optimistic target requires a solid and coherent economic model capable of driving sustainable and inclusive growth. Unfortunately, Indonesia's current economic framework has been critiqued for its lack of clarity and effectiveness, struggling to fully leverage its resources to reach its full potential (Kuncoro, 2020). This necessitates a reconsideration of viable economic models that could offer better and desirable results, particularly as the global economy becomes far more complex.

Two prominent and ideal models that have demonstrated their effectiveness in fostering fast economic growth are China's state capitalism and South Korea's conglomerate-driven capitalism. These models have been instrumental in transforming their respective economies into global powerhouses, and their applicability to Indonesia offers an intriguing possibility. China's state capitalism is defined by notable and substantial government intervention in the economy, state ownership of key industries, and hybrid approach which blends market mechanisms with centralised economic management (Naughton, 2017). Since Deng Xiaoping's economic reforms in the late 1970s, this model has proven to be effective in terms of resource mobilisation and rapid industrialisation, achieving an impressive average Gross Domestic Product (GDP) growth rate of 9% between 1992 and 2022 (World Bank, 2023).

On the flip side, South Korea's conglomerate-driven capitalism which is marked by the prominent role of large, family-owned firms known as the chaebols presents a different pathway to economic miracle. The South Korean government played an active role in the development of chaebols during the 1960s, providing them with preferential access to capital, protecting their markets, and supporting their global expansion agenda (Woo-Cumings, 1999). This model has been effective in driving tech innovation and competitiveness in high-tech sectors, making South Korea a renowned global leader in electronics & automobiles (Kim, 1997). Between 1992 and 2022, South Korea achieved a respectable average GDP growth rate of 4% and its strong export orientation, with an average export to GDP ratio of 37.83%. It indicates a significant advantage in global trade.

For Indonesia, exploring these two models may provide critical insights for shaping economic strategy by which state capitalism offers an example of how large-scale industrialisation and the infrastructure development can be efficiently managed through state ownership and intervention (Huang, 2008). This model could be particularly useful for Indonesia in mobilising resources for large-scale projects such as building infrastructure and energy transitions that are essential for driving its economic growth in coming decades. Conversely, South Korea's conglomerate-driven capitalism presents an alternative for Indonesia, where fostering the growth of large firms could be catalyst for tech innovation and increase of competitiveness. Indonesia could benefit from adopting elements of this model to strengthen private sector and encourage the development of globally competitive industries.

Given the evolving challenges of the 21st century, such as climate change, tech disruption, and shifting geopolitical landscapes, Indonesia must carefully evaluate which model offers the most sustainable yet competitive growth path. The comparative analysis of state conglomerate-driven capitalism shall help policymakers assess the potential of each model to address Indonesia's very own challenges while also considering global trends. This paper, therefore, aims to answer the central question: "Which is viable for Indonesia, state or conglomerate-driven capitalism?."By drawing on the strengths and weaknesses of both models, this paper intends to offer valuable insights that could help guide Indonesia toward its GDP growth target.

Some research explored various economic growth models adopted by Indonesia, South Korea, and also China, providing key insights into their successes and limitations. As Indonesia faces the various challenges in establishing a clearer economic strategy to meet its ambitious growth target, existing literature on state capitalism in China and conglomerate-driven capitalism in South Korea offers important lessons, one of them discusses Indonesia's economic growth model. The economic development in Indonesia has long been the subject of study, especially as it transitioned itself from a resource-based economy to a more diversified model. As in Kuncoro (2020), Indonesia has struggled with inconsistent economic policies, leading to fluctuating growth rates and Indonesia has missed a lot of opportunities for broader industrialisation. The country's reliance on commodity exports has created vulnerabilities, especially during the period of global downturn. Indonesia's economic model often lacked strategic coordination seen in economies like China and South Korea, where state intervention and conglomerate consolidation have played a pivotal role in driving rapid growth. Suryadinata (2017) firm emphasises on the importance of structural reforms, which include improving infrastructure and governance to unlock Indonesia's potential. These studies suggest that while Indonesia has strong and much of potential, its economic model needs a clearer direction and a more coordinated policy in order to achieve sustainable, high growth rates.

Meanwhile, on China's state capitalism, the economic transformation under the framework of state capitalism in China has been often studied, particularly as it has become one of the world's largest economies. Li and Shaw (2013) provide a kind of comprehensive framework for understanding China's state capitalism, detailing how it has evolved from a state-controlled system to one where market mechanisms coexist with strong state supervision. This unique hybrid model, termed as socialism with Chinese characteristics, has allowed China to use resources for industrialisation, infrastructure, and tech development at an unprecedented scale. The state's active role in guiding economic activities, through ownership stakes in key industries and employment of policy tools such as subsidies and industrial planning, has been a cornerstone of its success (Li and Shaw, 2013). Naughton (2017) argues that China's model of state capitalism has been effective in terms of enabling rapid economic transitions and managing global crises. However, criticisms have emerged around inefficiencies in resource allocation and market distortions, that Lardy (2014) attributes to the excessive state control over major sectors. Zhang (2015) further explores the global implications of China's state capitalism, mainly its influence on international governance. Zhang argues that China's economic rise under this model created a kind of parallel system in global governance, like the Belt and Road Initiative (BRI) and the Asian Infrastructure Investment Bank (AIIB), which reflect China's integration into, yet with a distinct approach to, the liberal global order. The study suggests that the dual nature of China's economic strategy – adapting to global capitalism while maintaining a strong state role – has allowed it to shape cross-border economic relations in ways that serve its long-term interests (Zhang, 2015).

As for South Korea's conglomerate-driven capitalism, this economy's success, driven largely by its chaebol system, has also been the focus of considerable academic attention. Lee and Lee (1992) compare the industrial systems of South Korea and Japan, by highlighting the concentration of economic power in large, family-owned conglomerates. While it has driven rapid industrialisation and global competitiveness, it has also been associated with a number of challenges that includes issues of corporate governance and concentration of economic power. Within South Korea, chaebols like Samsung and Hyundai have become dominant players, and propel South Korea into high-tech sectors and global markets (Kim, 1997). However, this mode has also faced some critiques for stifling competition, also creating conflicts of interest between business and government (Chang, 2003). Wang (2007) provides far deeper insight into South Korea's model by comparing it with Taiwan's strategy by highlighting how South Korea's chaebol-driven economy emphasised a schumpeterian scale-based technological development, focusing on large-scale industrial projects and innovations. The pro-active support by the state to the conglomerates, including preferential access to credit and the protectionist policies, has enabled South Korean firms to achieve global leadership in industries such as electronics and automobiles (Wang, 2007). However, this model's reliance on several large firms raised concerns about economic resilience and inequality.

For Indonesia, which seeks to achieve 8% annual economic growth, understanding the advantages and disadvantages of these two models is crucial. The state capitalism offers a path for much rapid pace of industrialisation and infrastructure development through state intervention and control of the main sectors. Meanwhile, South Korea's conglomerate-driven capitalism suggests that fostering large, also globally competitive firms can drive tech innovation and export-led growth. However, both models also bring a number of potential downsides.

2. METHODS

This research employs a comparative qualitative approach to analyze and compare the models of state capitalism in China along with the conglomeration-driven capitalism in South Korea. The primary objective of this research is to understand the characteristics, dynamics, and effectiveness of these two economic models in the context of 21st-century global competition. The methodology is based on Ragin's (2014) comparative analysis framework, which emphasizes on the importance of contextualization and holistic analysis in comparative studies. This research adopts a comparative case research approach, with China and South Korea as the main units of analysis. The selection of these states is based on their significant representation of the respective economic models under investigation. China, with its remarkable economic growth and dominant government role in the economy, serves as a more suitable proxy for state capitalism. Meanwhile, South Korea, with its long history of economic growth driven by the chaebols, aptly represents South Korea's conglomeration-driven capitalism model.

Data collection involved an extensive document analysis, including primary sources such as government reports, official statistical data, and policy documents from both states. Secondary sources, such as academic journal articles, textbooks, and reports from international organizations, were also used to enrich the analysis. This method aligns with the approach used by Li and Shaw (2013) in their research on state capitalism in China. Data analysis employed qualitative content analysis methods, following Schreier's (2012) approach. This process involved systematically coding relevant texts to identify key themes and emerging patterns. These themes were then organized into broader categories to facilitate comparison between the two economic models. To ensure the validity and reliability of this research, data and method triangulation were applied, as recommended by Yin (2018). This involved using various data sources and analysis methods to verify research findings. Additionally, this research adopted the process tracing approach developed by Beach and Pedersen (2013) to analyze the causal relationships between economic policies and outcomes in both states.

The comparative analysis framework used in this research is based on the model developed by Hall and Soskice (2001) in their theory of varieties of capitalism. However, this framework was expanded to accommodate the unique characteristics of state capitalism and conglomeration-driven capitalism. The analysis covers several key dimensions, including the role of the state in the economy, corporate ownership structures, resource allocation mechanisms, government-business relations, and innovation and technology development strategies. This research also integrates quantitative data analysis to support qualitative findings. Macroeconomic data, such as GDP growth, FDI inflows, and export values, were analyzed for the period 1992-2022, using trend analysis and cross-temporal comparison methods. This approach follows the methodology used by Wang (2007) in his research on technological development models in South Korea and Taiwan. Finally, this research adopts a historical-institutional perspective, recognizing that the two economic models under study have evolved over time and been influenced by unique historical and institutional contexts. This approach allows for a more nuanced understanding of how both models have adapted to global and domestic challenges over past three decades. Through this comprehensive and multidimensional methodology, this research aims to provide an in-depth comparative analysis of state capitalism in China and conglomeration-driven capitalism in South Korea, along with their implications for global economic competition in the 21st century.

As for the theoretical framework, this research choose the framework of CPE. A Comparative Political-Economy (CPE) is a subfield in Political Science and Economics that studies the interaction between political and economic forces in various countries. CPE was made with an aim of understanding the different ways economies manage their economy, develop economic policies, and regulate the relationships between markets, state and society. In the context of globalisation, CPE has undoubtedly become vital for exploring political institutions and economic policy which influence growth and the distribution of welfare (Clift, 2021; Baccaro et al., 2022). Historically, CPE grew from the evolution of broad international and domestic political-economic studies. The approach then began to develop in the 1970s and 1980s, with its main focus being to understand how institutional variations in capitalist economies affect economic growth, welfare, and inequality. Two main streams within CPE consist of the varieties of capitalism (VOC) and the post-Keynesian approach. VOC, which gained its popularity in the early 2000s, highlights how economies such as Germany and the US adopt different models of capitalism in the context of coordination between firms, labour and the state (Clift, 2021). VOC classifies capitalist economies into two main categories, the liberal market economies (LME) & coordinated market economies (CME) (Baccaro et al., 2022). This approach also reflects an interest in the various development models and redistribution in capitalist economies (Regan & Bohle, 2021).

CPE encompasses a number of key concepts. First, the VOC. This theory emphasises that there are fundamental differences in how each capitalist economy organises the relationships between firms, labour, and the state. Economies classified as LMEs rely more on free market mechanisms to regulate their labour and capital. Conversely, CMEs rely more on coordination between firms, labour unions, and the prominent role of the government to regulate their economies (Clift, 2021; Baccaro et al., 2022). Second, growth models. This concept explains how capitalist economies develop strategies to sustain economic growth as Germany and Japan adopt export oriented-growth models, while other economies rely on domestic consumption or foreign direct investment (FDI), as seen in Ireland and Hungary (Bohle & Regan, 2021). These growth models determine the stability of an economy and how they responds to a global crisis (Hein et al., 2021). Third, the relationship between the state and the market. According to CPE, the relationship between these two is crucial since the state can play a strong interventionist role in regulating markets and distributing wealth through fiscal and welfare policies (Bürgisser & Di Carlo, 2022). Economies like the Nordics exemplify that the state’s role is significant in managing the economy and reducing inequality.

All of these concepts can also be employed to understand the difference between China’s state capitalism, also South Korea’s conglomerate-driven capitalism. State capitalism emphasises the central role of the state in directing economic activities, particularly through growth strategy based on FDI. In this model, the Chinese government controls many strategic sectors, direct financial sources, and regulates financial markets through the state-owned enterprises (SOEs) policy interventions. These SOEs serve as the backbone of the economy, enabling the state to manage capital flows and overall economic development (Clift, 2021). FDI has always been a cornerstone of China’s state capitalism. Since the late 19970s, China opened its doors to foreign investors, mostly in special economic zones (SEZs) which offer tax incentives and more relaxed regulations for foreign companies to operate their businesses. This has allowed China to become a global manufacturing hub (Bohle and Regan, 2021). FDI brings massive new tech and managerial expertise, which then increases the level of productivity and industrial competitiveness (Nölke, 2023). Although FDI plays a crucial role, state capitalism ensures that control over strategic sectors stays in the hands of the state. The state not only regulates the FDI but also sets clear boundaries to ensure that foreign investments align with their national development goals, such as promoting domestic innovation and reducing dependence on tech from foreign parties (Baccaro et al., 2022).

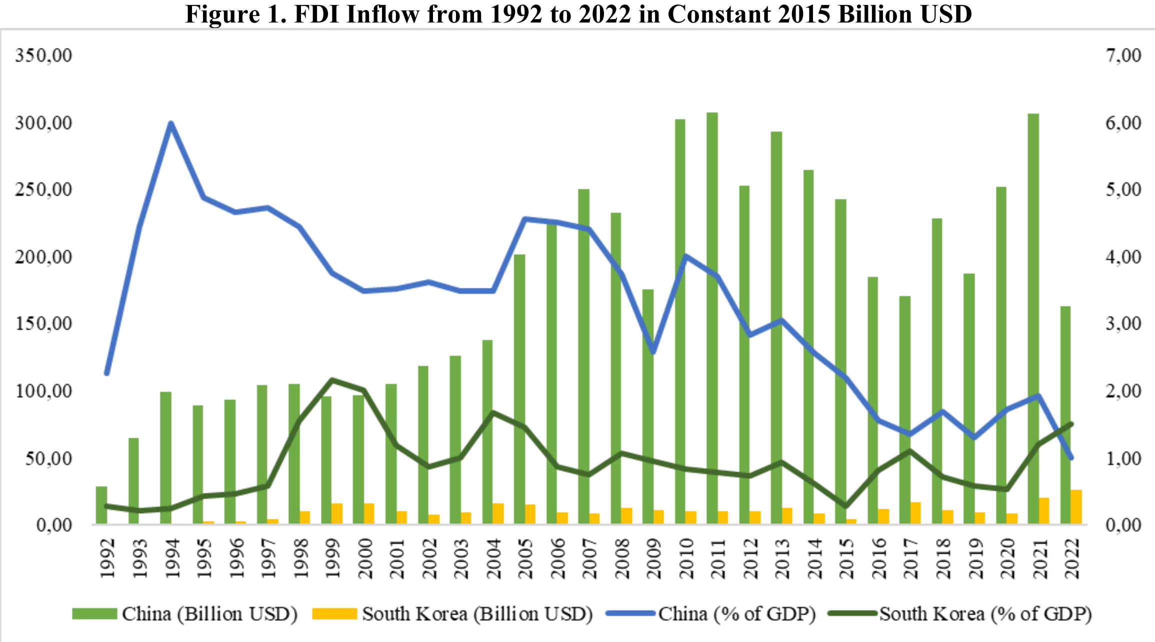
In contrast, South Korea’s economic model is largely driven by conglomerates and is orientated more on exports. From the 1960s to the 1980s, the South Korean government provided financial, along with policy support to its chaebols to promote large-scale industrialisation and exports, this model was designed to transform South Korean from an agrarian economy into a global industrial power, focused on high value added sectors such as electronics, shipbuilding and automobiles (Clift, 2021). Unlike the other one, which relies on FDI to drive domestic economic growth, South Korea puts more focus on developing strong domestic companies through chaebols. The Korean government provides subsidies, loans, and tax incentives to these conglomerates, enabling them all to be turned into global market leaders. South Korea’s export orientation allows the country to leverage global markets, in spite of having a relatively far smaller domestic market (Bohle & Regan, 2021). Additionally, the relationship between the government and chaebols in South Korea is symbiotic, whereby the government directs industrial policy but allows them space to compete in global markets (Clift, 2021). In this regard, South Korea's growth model is more about supporting domestic companies to dominate international exports, whereas China's model emphasises leveraging FDI to build export capacity.

3. RESULT AND DISCUSSION

Based on the data presented in Figure 1, the development of Foreign Direct Investment (FDI) flows into China and South Korea from 1992 to 2022 was analyzed (World Bank, 2023). During this 30-year period, both states exhibited different trends in attracting foreign direct investment. China, as a rapidly developing economy, showed significant growth in FDI. In 1992, China received FDI amounting to USD 28.97 billion, representing 2.26% of its GDP. This amount increased drastically in a short time, peaking at USD 305.92 billion in 2021, although its percentage of GDP decreased to 1.93% (World Bank, 2023). This indicated that despite the nominal increase in FDI, China's overall economic growth was even faster. Meanwhile, South Korea displayed a more fluctuating pattern. In 1992, FDI to South Korea was only USD 1.32 billion (0.28% of GDP).

Both states experienced a significant surge following the Asian financial crisis of 1997-1998, with FDI reaching USD 15.83 billion (2.16% of GDP) in 1999 (World Bank, 2023). Thereafter, FDI flows into South Korea tended to fluctuate, peaking at USD 26.12 billion (1.50% of GDP) in 2022. Interestingly, although the nominal amount of FDI to China was much larger than that to South Korea, its percentage of GDP was not always higher. This highlighted the difference in the sizes of the two economies and their different economic development strategies. China, with a large and fast-growing economy, was able to absorb substantial amounts of foreign investment, while South Korea, as a more advanced economy, demonstrated a more stable FDI pattern but with smaller values (World Bank, 2023). Cumulatively, over the 30-year period, China received a total FDI of USD 5,501.10 billion, far exceeding South Korea, which received USD 317.63 billion. This disparity reflected China's role as the "factory of the world" and its significant attraction for foreign investors, while South Korea focused more on the development of high technology and high value-added industries (World Bank, 2023).

Figure 1. FDI Inflow from 1992 to 2022 in Constant 2015 Billion USD

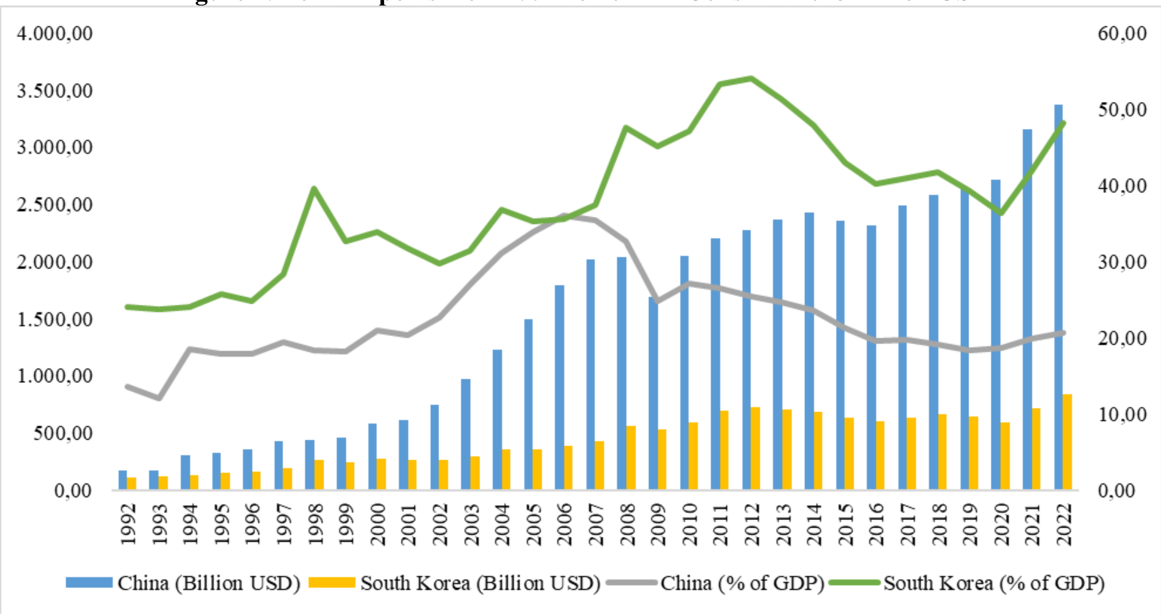


Source: World Bank, processed by author in 2025

Figure 2 presented data on the total exports of goods and services from China and South Korea during the period from 1992 to 2022, offering deep insights into the economic developments of these states (World Bank, 2023). China demonstrated remarkable export growth over this period. In 1992, China's total exports amounted to USD 174 billion, representing 13.56% of its GDP. However, by

2022, this figure had surged to USD 3,376 billion, or 20.68% of GDP (World Bank, 2023). This increase reflected China's transformation into a global economic powerhouse and the "world's factory." China's rapid export growth aligned with its export-oriented economic development strategy. South Korea, on the other hand, began this period with a relatively stronger export base. In 1992, South Korea's exports reached USD 114 billion, representing 24.07% of its GDP. By 2022, this value had increased to USD 840 billion, equivalent to 48.27% of GDP (World Bank, 2023). Although its nominal export value was lower than China's, South Korea's export-to-GDP ratio consistently remained higher, indicating a greater reliance on international trade.

Figure 2. Total Exports from 1992 to 2022 in Constant 2015 Billion USD

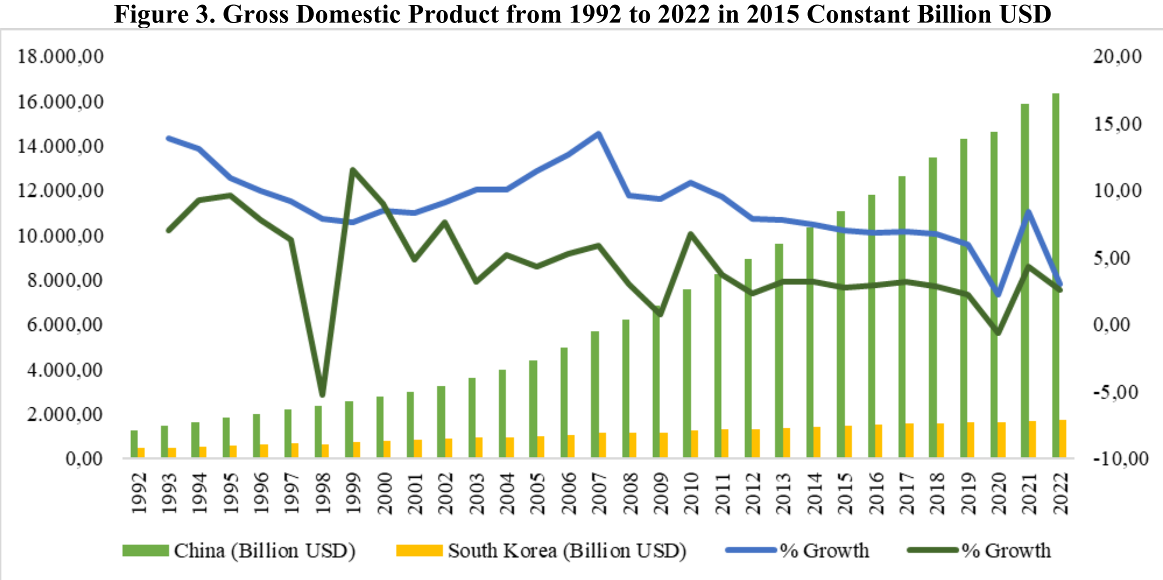


Source: World Bank (2023) processed by author in 2025.

Both economies experienced fluctuations in their exports during this period, reflecting changing global economic conditions. For instance, the impact of the Asian financial crisis of 1997-1998 was evident in South Korea's data, with a sharp rise in the export-to-GDP ratio to 39.54% in 1998, which also reflected a GDP decline at that time. China showed stable and rapid export growth from 2000 to 2008, peaking in 2006 at 36.04% of GDP. Meanwhile, South Korea reached its peak export-to-GDP ratio in 2012 at 54.09%. These differences reflected their distinct economic strategies, with South Korea relying more heavily on exports as an economic growth driver. The global financial crisis of 2008-2009 impacted both states, causing a sharp decline in export values. However, both recovered quickly, demonstrating their economic resilience. The COVID-19 pandemic in 2020 also affected the data, with South Korea experiencing a more significant drop in exports compared to China . The average export-to-GDP ratio over this 30-year period was 22.75% for China and 37.83% for South Korea. These figures underscored the importance of international trade for both economies, with South Korea showing a greater dependence on exports. Overall, this data illustrated the journey of both states in developing their export sectors. China succeeded in dramatically increasing its export value, reflecting its rapid economic growth. Meanwhile, South Korea maintained a strong focus on exports, developing high value-added and advanced technology industries. Both states proved themselves as key players in global trade, with different but equally effective strategies in driving their economic growth (World Bank, 2023).

Figure 3 presented data on the Gross Domestic Product (GDP) of China and South Korea from 1992 to 2022, offering a comprehensive overview of the economic growth of these states over the past three decades (World Bank, 2023). China exhibited extraordinary economic growth during this period. In 1992, China's GDP was USD 1,282 billion. Thirty years later, in 2022, China's GDP soared to USD 16,325 billion, representing an increase of more than twelvefold (World Bank, 2023). This growth reflected China's transformation from a developing state into a leading global economic power. China's annual growth rate was particularly impressive, averaging 9% over the 30-year period. China recorded double-digit growth in several years, peaking at 14% in 2007 (World Bank, 2023). Although growth slowed in recent years, China maintained a strong growth rate, except in 2020 when the COVID-19 pandemic caused a global slowdown. South Korea, starting from a smaller economic base, also demonstrated steady growth. South Korea's GDP increased from USD 472 billion in 1992 to USD 1,741 billion in 2022, showing a more than threefold increase (World Bank, 2023). While not as dramatic as China's growth, this achievement was still impressive for an economy that was already relatively advanced at the beginning of the period. South Korea's average annual growth rate was 4% over the 30-year period. The state experienced strong growth early on, peaking at 12% in 1999, reflecting a rapid recovery from the Asian financial crisis (World Bank, 2023).

Figure 3. Gross Domestic Product from 1992 to 2022 in 2015 Constant Billion USD



Source: World Bank (2023) processed by author in 2025.

Both states faced several economic challenges during this period. South Korea recorded a negative growth rate of -5% in 1998 due to the Asian financial crisis, while China experienced a significant slowdown to 2% in 2020 because of the COVID-19 pandemic (World Bank, 2023). However, both states demonstrated remarkable resilience, quickly returning to positive growth trajectories after these shocks. The differences in growth rates between the two states reflected their different stages of economic development. China, as a large developing economy, was able to sustain higher growth rates due to its substantial catch-up potential. Meanwhile, South Korea, as a more advanced economy, exhibited a more moderate but far more stable growth pattern (World Bank, 2023). Interestingly, despite China's higher growth rates, South Korea's economic size remained significant. In 2022, South Korea's GDP was approximately 10.7% of China's GDP, indicating that South Korea remained one of the world's largest economies despite being much smaller than China (World Bank, 2023).

State capitalism is a complex and multifaceted economic system in which a state or government plays a central role in directing and managing economic activities while maintaining some elements

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of a market economy. State capitalism has garnered significant attention from economists, political scientists, and policymakers worldwide, particularly with the emergence of China as a global economic power. State capitalism can be understood as a hybrid system that combines the strengths of state intervention with market dynamics to achieve national development goals (Kurlantzick, 2016). In state capitalism, the state acts not only as a regulator but also as an active economic participant. This involves direct ownership and indirect control over major enterprises, particularly in sectors considered strategic for national interests (Musacchio & Lazzarini, 2014). However, unlike a purely centralized economic system, state capitalism still allows for market competition and private sector participation to a certain extent. The goal is to harness the efficiency of market mechanisms while maintaining state control over the overall direction of economic development (Musacchio & Lazzarini, 2014).

The distinctive features of state capitalism encompass several interrelated aspects: (1) Substantial state ownership of large enterprises or “national champions” is a central feature. These state-owned enterprises (SOEs) often dominate strategic-prioritized sectors such as energy, mining, telecommunications, transportation, and banking. They function not only as commercial entities but also as instruments of government policy to achieve broader economic and social objectives (Lin & Milhaupt, 2013); (2) State capitalism is characterized by extensive government intervention in the economy through various industrial policies, subsidies, regulations, and control over resource allocation. Governments often use these instruments to support national firms, protect strategic industries, and direct investment into priority sectors. This creates an economic environment where the line between public policy and corporate strategy becomes blurred (Bremmer, 2010); (3) There is a close relationship between political and business elites, often described as a “revolving door” between government and the management of large corporations. Government officials are frequently appointed to lead SOEs, while business executives may secure key positions within the government structure. This creates a complex network of interests and facilitates coordination between government policies and business strategies (Pei, 2016); (4) State capitalism often involves the use of state financial institutions, such as development banks and sovereign wealth funds, to channel capital into priority projects and priority sectors. These institutions act as extensions of the government in allocating financial resources and supporting national development goals (Helleiner & Lundblad, 2008); and (5) Although state capitalism allows for private sector participation and foreign investment, the state retains significant control over capital flows and economic activities. This includes restrictions on foreign ownership in certain sectors, control over foreign exchange, and stringent oversight of cross-border mergers and acquisitions (Nölke, 2014).

State capitalism evolved into a highly distinctive and effective model since economic reforms were initiated by Deng Xiaoping in China in the late 1970s. This system, often referred to as "socialism with Chinese characteristics," combined elements of centralized economic planning with limited market mechanisms. The evolution of state capitalism in China was viewed as a continuous adaptation process, where the state sought to balance the need for economic growth with the imperative of maintaining control over the economy and politics (Naughton, 2017). Its implementation in China involved several key components. First, the restructuring and reform of state-owned enterprises (SOEs) became a primary focus. Although the number of SOEs significantly decreased since the reforms, the remaining ones were transformed into large firms dominating strategic sectors. The *’zhuada fangxiao’* strategy, meaning "grasp the big, release the small," resulted in a group of strong and globally competitive national SOEs (Lardy, 2014). Second, the Chinese government actively employed industrial policies and subsidies to support national enterprises and develop priority sectors. This included support for research and development, preferential access to financing, and various fiscal incentives. This strategy played a crucial role in the development of Chinese high-tech industries and its efforts to move up the global value chain (Heilmann & Shih, 2013). Third, the state-dominated banking system became an important instrument in allocating capital according to policy priorities. Large state-owned banks played a central role in financing large-scale infrastructure projects and supporting the expansion of SOEs. Additionally, policy financial institutions such as the China Development Bank drove many strategic development initiatives (Sanderson & Forsythe, 2013). Fourth, the Chinese government utilized control over land and natural resources as a powerful economic policy tool. China’s unique land ownership system, where the state owned all urban land, enabled local governments to promote industrial and urban development through strategic land allocation (Hsing, 2010). Fifth, the role of the Chinese Communist Party (CCP) in economic governance remained crucial. The CCP maintained significant influence over strategic business decisions through its presence in major companies, both state-owned and private. The "nomenklatura" system, where the party controlled appointments to key positions in SOEs and government institutions, ensured alignment between party objectives and corporate management (McGregor, 2010).

The contribution of state capitalism to China’s extraordinary economic growth from 1992 to 2022 can be observed through various aspects: (1) This system enabled large-scale resource mobilization to support industrialization and infrastructure development. The government's ability to direct investments into priority sectors resulted in the extensive development of transportation, telecommunications, and energy networks, which laid the foundation for long-term economic growth (Huang, 2008); (2) State capitalism facilitated technology transfer and the enhancement of national innovation capacity. Through targeted industrial policies and support for research and development, China successfully developed competitive advantages in various high-tech sectors, from renewable energy to artificial intelligence (Zhou, Lazonick, & Sun, 2016); (3) This model allowed China to manage economic transition more smoothly, avoiding the major shocks often associated with rapid economic liberalization. The gradual and experimental approach to economic reforms, often referred to as "crossing the river by feeling the stones," enabled China to adapt and adjust its policies over time (Naughton, 2018); (4) State capitalism helped China effectively navigate global economic crises. For instance, during the 2008-2009 financial crisis, the government's ability to quickly implement a large-scale stimulus package and direct banks to increase lending helped maintain economic stability and sustain growth (Lardy, 2012); and (5) This model supported the internationalization of Chinese enterprises. With state support, many of the Chinese SOEs and large private firms emerged as significant global players, enhancing China’s international competitiveness and expanding its economic influence worldwide (Shambaugh, 2013).

Conglomeration-Driven Capitalism represents a unique and complex economic system characteristic of several East Asian states, particularly South Korea. This system is marked by the dominant role of large conglomerates within the national economic structure, influencing not only market dynamics but also overall economic and industrial policies. To fully understand this concept, one must explore its historical roots, analyze its main characteristics, and evaluate its impact on economic growth, especially in the context of South Korea (Kim & Park, 2011). The historical roots of Conglomeration-Driven Capitalism trace back to the post-World War II period, when many Asian states aimed to rebuild their economies and pursue rapid industrialization. In South Korea, this system began to take shape in the 1960s under the leadership of President Park Chung-hee, who implemented state-led economic development policies. This strategy involved close partnerships between the government and the private sector, focusing on the development of large conglomerates known as chaebol (Kim & Park, 2011). The defining characteristics of Conglomeration-Driven Capitalism include several key aspects. First, there is highly concentrated ownership, where a small number of families or even individuals control a significant portion of the state's economic assets through complex corporate networks. Second, extensive vertical and horizontal integration allows conglomerates to control various stages of production and distribution across multiple industries. Third, there is rapid and aggressive expansion into new markets and industrial sectors, often supported by favorable government policies. Fourth, close relationships between businesses and the government can lead to policies benefiting large conglomerates and privileged access to financing and other resources (Lee, 2002; Chang, 2003). Another important characteristic is the focus on innovation and intensive research and development (R&D). Large conglomerates are capable of investing substantial resources in developing new technologies and innovative products, often key to their competitive advantage in global markets. Additionally, this system is marked by hierarchical management structures and centralized decision-making, enabling quick responses to changing market conditions and new opportunities (Amsden, 1989).

In the South Korea, Conglomeration-Driven Capitalism manifested in the form of the unique chaebol system. Chaebols were large family-controlled conglomerates that had become the backbone of the South Korean economy since the 1960s. This system developed under state-led economic development policies, where the South Korean government actively promoted the growth of chaebols through various mechanisms (Kim, 1997). One key aspect of government support for chaebols was access to cheap credit. The government controlling the banking sector and directed credit allocation to strategic industries led by various chaebols. This acts enabled chaebols to make significant investments in production capacity and new technologies, even when their debt levels were relatively high. Additionally, the government provided market protection through high import tariffs and restrictions on foreign investment, allowing chaebols to dominate the domestic market and accumulate profits for further expansion (Woo-Cumings, 1999). Government support also included assistance for overseas expansion. This encompassed diplomatic backing, export loans, and various incentives to encourage chaebols to enter global markets. This strategy significantly contributed to South Korea's transformation into a major global export power (Kang, 2010). The Conglomeration-Driven Capitalism played a crucial role in South Korean export growth from 1992 to 2022. During this period, chaebols were the driving force behind transforming South Korea into a global export powerhouse in various sectors, including electronics, automotive, shipbuilding, and petrochemicals. Chaebols' ability to amass vast resources, invest in research and development, and leverage economies of scale enabled them to compete effectively in global markets (Kwon & O'Donnell, 2001).

Samsung Electronics, for instance, became a world leader in semiconductor and smartphone production. The company invested billions of dollars in advanced production facilities and R&D, allowing it to compete with leading global technology firms. In 2021, Samsung accounted for more than 20% of South Korea's total exports, highlighting the central role of chaebols in the state's export economy (Samsung Electronics, 2022). Similarly, Hyundai Motor Company became one of the world's largest automakers. Hyundai's strategy of developing advanced automotive technologies and expanding its global production network enabled it to increase its market share in the highly competitive global automotive market. In 2021, Hyundai and its subsidiary, Kia, collectively sold over 6.6 million vehicles worldwide, affirming their position as major players in the global automotive industry (Hyundai Motor Company, 2022). Furthermore, chaebols' diversification into various industries allowed South Korea to rapidly adapt to changing global demand and develop competitive advantages in new sectors. This was evident in the state's transition from labor-intensive industries in the 1960s and 1970s to high-tech and service industries in the 1990s and 2000s. For instance, LG Group successfully transitioned from a producer of simple consumer goods to a global leader in consumer electronics, home appliances, and energy solutions (LG Corporation, 2022). Chaebols' ability to mobilize capital and labor on a large scale also enabled South Korea to quickly enter and dominate new markets. This was clearly seen in the rapid growth of the K-pop and Korean entertainment industries, led by major media conglomerates such as the CJ Group and HYBE (formerly Big Hit Entertainment). The Korean entertainment industry became a significant cultural export, enhancing South Korea's soft power and driving growth in related sectors like tourism and consumer products (Jin, 2016).

3.1 Discussion

Based on an in-depth comparative analysis of state capitalism in China and conglomeration-driven capitalism in South Korea from 1992 to 2022, it can be concluded that both economic models have distinct advantages and disadvantages in promoting economic growth and global competitiveness. Generally, state capitalism has proven more effective in generating higher GDP growth, while conglomeration-driven capitalism excels in driving faster export growth. These findings have significant implications for developing economies' choices of economic models in the face of 21st-century global competition, especially as states strive to balance strong economic growth with sustainable international competitiveness. GDP data analysis shows that the Chinese state capitalism model consistently achieves higher economic growth than South Korea over the 30-year period studied. China recorded an average annual GDP growth of 9%, while South Korea achieved 4% (World Bank, 2023). This significant difference reflects the effectiveness of state capitalism in driving rapid economic growth, particularly for developing economies aiming to catch up with advanced economies. Several factors explain the superiority of state capitalism in promoting GDP growth.

First, the Chinese government's ability to mobilize large-scale resources to support industrialization and infrastructure development has laid the foundation for long-term economic growth (Huang, 2008). The "grasp the big, release the small" strategy enabled the Chinese government to focus on developing large state-owned enterprises (SOEs) as key players in strategic sectors while allowing the private sector to grow in other areas (Lardy, 2014). This unique mix of state control and market dynamics drives strong economic growth. Second, targeted industrial policies and support for research and development have allowed China to develop competitive advantages in various high-tech sectors (Zhou, Lazonick, & Sun, 2016). Through initiatives like "Made in China 2025," the Chinese government actively promotes innovation and technological development in key industries such as artificial intelligence, robotics, and renewable energy. Government support in the form of subsidies, access to financing, and protectionist policies has enabled Chinese companies to compete globally in these sectors. Third, a gradual and experimental approach to economic reforms has allowed China to adapt and adjust its policies over time, avoiding the shocks often associated with rapid economic liberalization (Naughton, 2018). The well-known "crossing the river by feeling the stones" strategy allowed China to implement economic reforms gradually, testing new policies on a limited scale before applying them nationwide. This approach has contributed to Chinese macroeconomic stability and allowed the state to avoid major economic crises often experienced by rapidly liberalizing economies. On the other hand, export data indicates the South Korean conglomeration-driven capitalism model is superior in driving export growth. Although Chinese nominal export value is much larger, South Korea's export-to-GDP ratio is consistently higher, averaging 37.83% compared to China's 22.75% over the 1992-2022 period (World Bank, 2023). This advantage reflects the effectiveness of the chaebol model in creating global competitiveness and driving strong export growth.

The superiority of conglomeration-driven capitalism in driving exports can be attributed to several unique characteristics of the South Korean chaebol system. First, the chaebols' ability to amass large resources, invest in research and development, and leverage economies of scale enables them to compete effectively in global markets (Kwon & O'Donnell, 2001). For instance, Samsung Electronics has become a world leader in semiconductor and smartphone production, investing billions of dollars in advanced production facilities and R&D. In 2021, Samsung accounted for over 20% of South Korea's total exports, underscoring the chaebol's central role in the state's export economy (Samsung Electronics, 2022). Second, the chaebols' diversification across various industries allows South Korea to quickly adapt to changing global demand and develop competitive advantages in new sectors (LG Corporation, 2022). This capability has enabled South Korea to transition from labor-intensive industries in the 1960s and 1970s to high-tech and service industries in the 1990s and 2000s. For example, LG Group successfully transitioned from a simple consumer goods manufacturer to a global leader in consumer electronics, home appliances, and energy solutions. Third, government support for overseas expansion, including diplomatic backing and incentives, has significantly contributed to South Korea's transformation into a major global export power (Kang, 2010). These policies have enabled chaebols to expand their global footprint and enhance their international competitiveness. For example, Hyundai Motor Company has become one of the world's largest automobile manufacturers, with strategies for developing advanced automotive technologies and expanding its global production network. In 2021, Hyundai and its subsidiary Kia collectively sold over 6.6 million vehicles worldwide, confirming their status as major players in the global automotive industry (Hyundai Motor Company, 2022). However, it is important to note that both economic models have their respective trade-offs and challenges. The Chinese state capitalism model, while effective in driving GDP growth, faces criticism related to resource allocation inefficiencies and potential market distortions (Lardy, 2014). The concentration of economic power in the hands of the government and SOEs can hinder long-term innovation and efficiency. Additionally, a lack of transparency and accountability in economic decision-making can increase the risk of corruption and rent-seeking. Meanwhile, the South Korean conglomeration-driven capitalism model, though superior in driving exports, faces challenges related to economic power concentration and potential conflicts of interest between business and government (Lee, 2002; Chang, 2003). The dominance of chaebols in the South Korean economy raises concerns about unfair competition and the suppression of small and medium enterprises. Furthermore, the complex ownership structures and close relationships between chaebols and political elites have led to corporate governance issues and corruption.

These findings suggest that the choice of an economic model should consider a state's specific development goals and broader socio-economic context. For economies prioritizing rapid GDP growth and large-scale infrastructure development, state capitalism might be more suitable. This model can be highly effective in mobilizing resources and directing investment to priority sectors, especially in the early stages of economic development. However, for economies aiming to enhance global competitiveness and export growth, a conglomeration-driven capitalism model may be more appropriate. This model can drive innovation and efficiency through competition in global markets and facilitate the development of strong national brands. It is also crucial to note that the success of these models is deeply rooted in each state's unique historical and institutional context, so their application elsewhere may require significant adaptation. Factors such as economic size, development level, industrial structure, and institutional capacity must be considered when adopting elements of these models. In the context of 21st-century global competition, both economic models demonstrate strong resilience and adaptability. Chinese state capitalism has proven effective in managing economic transitions and navigating global crises (Lardy, 2012). For instance, during the 2008-2009 global financial crisis, the Chinese government's ability to quickly implement a large-scale stimulus package and direct banks to

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increase lending helped maintain economic stability and growth. Meanwhile, South Korean conglomeration-driven capitalism has successfully driven innovation and competitiveness in high-tech sectors (Samsung Electronics, 2022; Hyundai Motor Company, 2022). South Korea's success in the entertainment industry (K-pop) and pop culture, led by major media conglomerates like CJ Group and HYBE, also shows the model's ability to adapt to global trends and create new growth sources (Jin, 2016). However, new challenges such as climate change, technological disruption, and shifting global geopolitics may require further evolution of both models in the future. Both state capitalism and conglomeration-driven capitalism must adapt to address issues such as environmental sustainability, economic inequality, and changes in global supply chains.

4. CONCLUSION

Based on a comprehensive comparative analysis of state capitalism in China and conglomerate-based capitalism in South Korea from 1992 to 2022, it is concluded that both economic models have distinct strengths and weaknesses in facing 21st-century global competition. Chinese state capitalism proves more effective in generating high GDP growth, averaging 9% annual growth compared to South Korea’s 4% (World Bank, 2023). This advantage is attributed to the Chinese government’s ability to mobilize large-scale resources for industrialization and infrastructure development (Huang, 2008), the implementation of targeted industrial policies, and a gradual approach to economic reform that allows for flexible policy adaptation (Naughton, 2018). Conversely, South Korean conglomerate-based capitalism excels in promoting export growth. Although China's nominal export value is higher, South Korea consistently shows a higher export-to-GDP ratio, averaging 37.83% compared to China's 22.75% during the same period (World Bank, 2023). This success reflects the effectiveness of the chaebol system in creating global competitiveness, supported by large conglomerates’ ability to invest substantial resources in research and development, and diversification across various industries, allowing quick adaptation to changing global demand (Kwon & O'Donnell, 2001; LG Corporation, 2022). However, both models face significant challenges. Chinese state capitalism faces criticism for resource allocation inefficiencies and potential market distortions, which can hinder long-term innovation and efficiency (Lardy, 2014). Meanwhile, the South Korean chaebol model struggles with economic power concentration and potential conflicts of interest between business and government, leading to corporate governance issues and corruption (Lee, 2002; Chang, 2003).

In the context of 21st-century global competition, both models demonstrate resilience and strong adaptability. China’s state capitalism has proven effective in managing economic transitions and global crises, as evidenced during the 2008-2009 financial crisis (Lardy, 2012). Meanwhile, South Korean conglomerate-based capitalism has successfully driven innovation and competitiveness in high-tech sectors, as demonstrated by the global success of Samsung Electronics and Hyundai Motor Company (Samsung Electronics, 2022; Hyundai Motor Company, 2022). Looking ahead, both economic models need to continue adapting to new challenges such as climate change, technological disruption, and shifting global geopolitics. China’s state capitalism may need to improve resource allocation efficiency and foster greater innovation in the private sector, while the South Korean chaebol model may need to address economic power concentration and enhance opportunities for small and medium-sized enterprises. In conclusion, both state capitalism and conglomerate-based capitalism have their respective advantages and disadvantages in facing 21st-century competition. State capitalism may be more effective in driving high GDP growth and managing large-scale economic transitions, while conglomerate-based capitalism excels in promoting export growth and innovation in high-tech sectors. To optimize economic competitiveness in the 21st century, states may need to consider a hybrid approach that combines the best elements of both models while tailoring them to their specific development conditions and goals. This approach can help achieve an optimal balance between strong economic growth and sustainable global competitiveness. Further research is needed to explore how these models can adapt to new challenges such as climate change, automation, and shifts in global supply chains. Additionally, comparative studies involving other states with different economic models can provide further insights regarding the effective economic development strategies in an increasingly complex globalized era.

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