



The Phenomenon of Hybrid State Capitalism in Emerging Market Economies: Present and Future

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Abstract

The article is devoted to the actual and complex topic of the transformation of a number of countries with emerging markets. A retrospective of the transformation of the entire enclave of emerging market economies in a large number of countries was briefly presented. On this ground, the process of the reproduction of economic systems, distinguished by a hybrid structure with a prevailing state-capitalist order, in a separate conglomerate of post-developing and after socialist countries was analyzed in the last period. Based on the empirical available evaluations, with regard to the conglomerate of considered national economies, the most significant fundamental competitive advantage is still the preservation of relatively low cost of production factors. By the author's argumentation, a vision of the prospect for the transformation of such national economies are presented. The final conclusion concerns the possibility of successful adaptation of these economic systems to the positive fundamental changes, especially including those associated with the transition to sustainable overall social development.

Keywords: Emerging Markets, National Economies, State-Capitalist Order, Competitive Advantage



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Arkady Martynov

I. Introduction

The problem of development in regards to national economies with emerging (growing) markets directly connects with the phenomenon of the ongoing formation of a new type of state capitalism. As known, the topic of state capitalism is touched upon in a truly innumerable number of studies. At the same time, most of them are devoted to the historical past, covering the periods of existence of the bygone traditional Western capitalism in the 19th and 20th centuries. Also, resorting to the results of these studies to explain the phenomenon of modern state capitalism outside the developed economies in the Western world seems doubtful.

It is reasonable to focus on the fact that in economies with emerging (growing) markets, state capitalism is characterized by a fundamentally new feature. We are talking about the direct participation of state agents in economic performance: As market consumers, suppliers of resources to the markets and owners-investors in the capital markets.

At the same time, most national economies with emerging markets represent a hybrid system, where economic sectors with an integral presence of the state complement the sectors of private business, corporate and otherwise. The author relied on recent publications, in which the phenomenon of the hybrid design of the national economic system in the current period received intent attention (Nolke, 2018; Alami & Dixon, 2020, 2021; Okhmatovskiy et al., 2021; Ricz, 2021).

By the beginning of the 1980s a post-developing world had established itself, including the newly industrialized countries. Here, the emergence of wealthy national economies with emerging markets (EME) took place. This irreversible shift had been recognized globally and directly reflected in the opening of the stock markets in a number of EME to foreign investors.

The initial fundamental conditions for transformation in post-developing countries concluded in the presence of a significant public sector and a high degree of state intervention in economic life, as well as in the choice of path of economic development based on national interests. The state, relying on national capital, had acted as the initiator of internal market reforms; the same applied to the export market reorientation in the primary period of independent national development.

For a very long time, inertial development trends prevailed in the economies of post-developing countries, associated with the growth of productive capital and employment, as well as an increase in productivity due

to an incremental progress in the qualifications of workers over time. These processes of inertial changes fully embraced the public sector, the national capitalist sector, and the sector of small and medium-sized business that incorporated traditional crafts.

It should also be added that, the proportions of income distribution between the indicated institutional sectors did not change significantly. Quite understandably, the prevalence of the noted inertial changes turned out to be associated with the absence of fundamental changes in the institutional arrangements of the economies in post-developing countries.

At the same time, it is impossible to ignore the significant structural changes that had taken place in output, due to the increased competitiveness of the national economy with emerging markets. The intensity of technological modernization and economic renewal is evidenced by at least a significant raise of the most important relevant indicator - total factor productivity (TFP) (De Gregorio, 2018). To a significant extent, the renewal process was also expressed in an increase in the quantity of qualified personnel (Dieppe ed., 2021), which in turn manifested itself in an uprising in the differentiation of wages and personal incomes.

Structural changes were accompanied by a number of institutional changes of systemic significance. Priority attention should be paid to the corporatization of state-owned enterprises (SOE), which resulted in the direct inclusion of state capital into an orbit of the contemporary market. Along with this, the establishment of the institution of patronage over large national producers, directly aimed at achieving greater accessibility of material, investment and human resources for them in comparison with foreign competitors, had great value. Besides, it is worth adding that an important attribute of economic life became the functioning of special institutions of government support for small and medium businesses.

At this point global significance is the accession, as a result of market reforms, to the EME's enclave in the post-developing countries of the economies of the former socialist countries in the CIS and Asia, including China. In the post-liberal period since the late nineties, within the framework of national economic systems, which can now be called after-socialist, wealthy markets gradually formed (Stiglitz, 2000; World Bank, 2002). In the political and economic sense, it is legitimate to attribute them to emerging markets, similar to those existing in post-developing countries. A common distinguishing feature of these markets concluded in the relatively new stage of development.

The initial fundamental similarity between the economies of after socialist countries and an impressive number of post-developing countries also concerned the root institutions of public regulation. Both groups of countries were distinguished by a very significant role of state regulation of market processes and related other processes outside the economic field. The after socialist EME's also saw the previously identified institutional changes associated with the establishment of state capitalism as a prevailing institutional order of the national economic system.

The results of these changes manifested in the successful establishment of a new type of state capitalism

at the beginning of the 21st century in many post-developing and after socialist countries (Kurlantzick, 2016; Schedelik et al., 2021). Its distinctive feature concludes in the full participation of state capital in market activities and the receipt of market benefits. This process directly finds expression in the public corporatization of the capital of enterprises with state participation, its overflow into market investment funds and involvement in stock exchange turnover. Moreover, this kind of corporate capital with state participation tends to assert itself and even dominate at the world markets.

In the recent high-profile publications, three main components of the newly-minted state capitalism are discussed (Wood & Wright, 2015; Wright et al., 2021). First one is the institutionalized interaction between government organizations and business, when the state acts as a market consumer or, conversely, as a supplier of resources to the markets. Second one is the state agents participating in various markets as investors. Third one is the state using weighty tools for the active interventions in economic life. Indeed, the active state economic policy (macroeconomic, structural, regional) presents the conductor of stability and normal functioning of many EMEs. Of particular importance for ensuring the positive dynamics of emerging markets has the direct state participation in large-scale infrastructure programs and projects (Sigma, 2019).

In most national economies with emerging markets, the public and mixed public-corporate sectors complement the private corporate sector and the entrepreneurial sector of small and medium-sized businesses (Marquis & Raynard, 2015). In fact, there is an imposition of heterogeneous institutional orders, reflecting the multi-layered structure of interactions among market and other agents. In the context of the foregoing, an unambiguous statement is appropriate: In recent years, the national economic system in the existing EMEs was interpreted by researchers precisely as a hybrid one (Nolke, 2018; Okhmatovskiy et al., 2021; Ricz, 2021). It is fundamentally deviated from the traditional bipolar capitalist and socialist systems that existed in the past century.

Along with this, one cannot ignore the institutional divergence of the EMEs, primarily in relation to the degree of liberalization of their domestic markets and the significance of the state-capitalist order. It seems appropriate to single out three main conglomerates of national economies that differ in their systemic structure. In the first conglomerate, the institutions of state capitalism play a paramount role. Here, the formation of state capitalism as the fundamental mode of the economic system has taken place (Kurlantzick, 2016; Alami & Dixon, 2020; Chandra & Chatterjee, 2021). This conglomerate, for the identification of which the abbreviation SCEME is used below, includes a wide range of post-developing and after socialist countries.

Another conglomerate is made up of the national economies in which the institutions of state capitalism do not excel in comparison with the institutions of private entrepreneurship. This conglomerate includes the economies of Turkey, South Korea, Taiwan, South Africa, Saudi Arabia, Brazil, Argentina and a number of smaller countries. All these national economies are distinguished by their structure-forming dependence on the state of world market.

The significance of the EME's conglomerate is great, where the state-capitalist order and, in general, the

systemic economic matrix have not been completely formed. Among these countries, it is appropriate to mention Iran, Pakistan, and Bangladesh. Taking in to account the limited format of the publication, the author will focus only on the SCEME conglomerate; incomplete without China and Russia. The economic transformation of the latter two countries has been carried out in the most significant dependence on purely political drivers. The study of this kind of dependence requires a special approach (Van Apeldoorn & de Graaff, 2022), which has not yet been seriously discussed in current scientific publications. Apparently, the phenomenon of "politically driven" state capitalism presents the prerogative of future intensive research.

Finally, this paper continues with the Methodology section. Transformation of Emerging Economies with a Prevailing State-Capitalist Order follows as the third section. Next, Prospect for the Transformation of Emerging Economies with Hybrid State Capitalism is discussed in the fourth section. Discussion and Conclusion takes place in the fifth and last section.

II. Methodology

The objective of this study is presenting information on the transformation and conglomerates, not individual national economies. Such approach is substantiated by the goal of comparing the key development indicators of these economies in general with the leading Western economies. Despite the paramount importance of the state-capitalist order in SCEME, its absolute domination seems unjustified. It has long been recognized that a complete state monopoly in the corporate sector, as in other sectors, is unacceptable, if only because of the inevitable loss of national competitiveness in many world markets. It is worth noting that the state-capitalist institutional order (in its pure form) is not fully prevailing in any country complemented by other existing institutional orders primary due to the form of ownership. Apparently, the economic system of the considered conglomerate of countries is rightfully identified as hybrid state capitalism.

In order objectively to reflex the process of transformation of the considered national economies in the past post-crisis period in 2010-2019, it seems reasonable to turn to a realistic verbal model of economic system transformation. It envelops changes in the structures of economic output and simultaneously the distribution of its results (Martynov, 2019). Both axial processes of the system transformation in regards to output and distribution combine inertial and new structural changes. The inertia of economic development is clearly manifested in the constancy of the formed markets, in the stable structure of output and prices, in the stability of the organizational structure of enterprises, when a process of mostly unidirectional and approximately uniform resource changes take a place, as if under unchanged, previously established framework institutional arrangements.

Furthermore, inertial changes are superimposed on various structural changes associated with fundamental institutional shifts. The following hypothesis seems reasonable: The relatively low cost of productive capital, labor, and especially primary resources, which distinguished the economies of hybrid state capitalism, is displayed in the inertial growth of production capital and

employment. It has turned out to be associated with an accelerated increase in output and profit.

III. Transformation of Emerging Economies with a Prevailing State-Capitalist Order

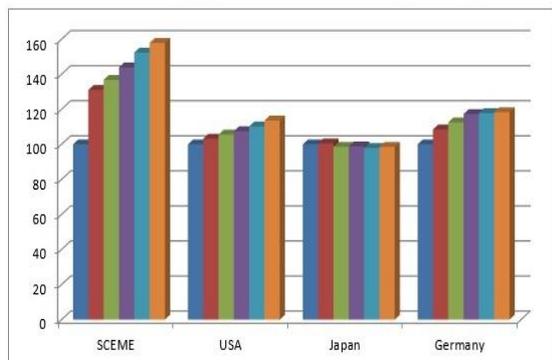


Figure 1. Rate of Real Gross Domestic Product (GDP) at Current Parity of Purchase Power (in mil. 2017 US\$): 2010-2019

Source: Penn World Tables (2021). (<https://www.rug.nl/ggdc/productivity/pwt>)

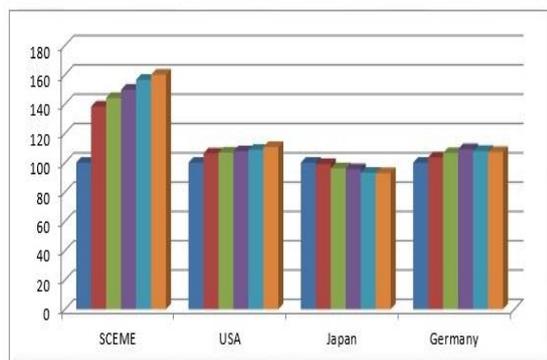


Figure 2. Labor Productivity Rate (at number of persons engaged): 2010-2019

SCEME: India, Sri Lanka, Uzbekistan, Azerbaijan, Belarus, Armenia, Kazakhstan, Indonesia, Malaysia, Thailand, Philippine, Lao, Vietnam, Cambodia and Myanmar

Source: Penn World Tables (2021). (<https://www.rug.nl/ggdc/productivity/pwt>)

Proceeding from the data in Penn World Tables (2021), the GDP growth rate and the growth in labor productivity (in terms of the number of employees) in the economies under consideration in the past decade had an order of magnitude higher than the analogous indicators for the USA, Japan and Germany (Figures 1 & 2). Therefore, a significant reduction in the gap from the average level of AE had taken place (World Bank, 2020). It is worth emphasizing that this shift has been achieved to a decisive extent through the development of domestic markets. The above confirms the trend of a noticeable decrease in the share of the export component in the considered conglomerate of economies in the period after

the global crisis of 2008-2009. The strategy of maximum export orientation, previously implemented in most post-developing countries, irrevocably becomes a deal of the past.

The above assumption is confirmed by study's empirical evaluations of pair correlations and regression dependences between the main variables - profitable output, production capital and employment - in relation to the period of 2000-2019 (Table 1). They demonstrate a high return on the inertial factors - productive capital and employment, in contrast to the situation in the advanced market economies of Germany and especially Japan. Besides, as follows from the results, the effect of employment on profitable output in SCEME was much more significant in comparison with the United States (US).

Table 1: Dependence of Profitable Output on Inertial Factors of Employment and Production Capital for the period of 2000-2019

| Countries | Correlation between variables (in %) | Estimation of regression equations** |
|-----------|--|---|
| SCEME | Cor ₁ =98,79 Cor ₂ =99,28 | Y=0,097* X ₁ +0,846* X ₂ +ε ₁₁ R ² =0,989 (4,881) (16,197) |
| USA | Cor ₁ =90,81 Cor ₂ =92,40 | Y=0,261* X ₁ +0,804* X ₂ +ε ₁₂ R ² =0,988 (0,297) (8,287) |
| Japan | Cor ₁ =28,65 Cor ₂ =55,85 | Y=1,028* X ₁ +0,601* X ₂ +ε ₁₃ R ² =0,959 (2,431) (5,794) |
| Germany | Cor ₁ =75,73 Cor ₂ =83,29 | Y=0,678* X ₁ +0,699* X ₂ +ε ₁₄ R ² =0,944 (0,445) (2,051) |

Indicators: Cor₁ - correlation between profitable output and employment level; Cor₂ - correlation between profitable output and production capital; R² - coefficient of determination.

* Profitable output was approximately estimated as the difference between the volume of GDP and its share directed to wages. There are no complete data on the total material costs for SCEME.

** - values of t-statistics are given in brackets.

Source: SPSS Software Output

To the greatest extent, the indicated competitive advantages, apparently, manifested themselves in the activities of multinational companies (MNE) with state participation, which very quickly established themselves in foreign markets (Cuervo-Cazurra, 2018; Panibratov & Klishevich, 2021). In the recent period, the growth in the number of MNE in countries with emerging markets has been much higher than in Western countries (Casanova & Miroux, 2020). Actually, the level of quality of a considerable number of goods remains significantly lower in comparison with leading Western analogies.

The real sectors of the economies under consideration turned out to be attractive for profitable investment. This is directly evidenced by the ordinal excess of the growth rate of foreign direct investment in comparison with the Western leading countries especially in 2017-2019 (Figure 3). It is also fundamentally important that powerful state regulation at the macroeconomic, sectoral and regional levels in the hybrid economies under consideration made it possible to adapt to changes in the external world. In the recent years, state

regulation of this kind has intensified, especially in terms of monetary and fiscal policy (Oxford Business Group, 2021).

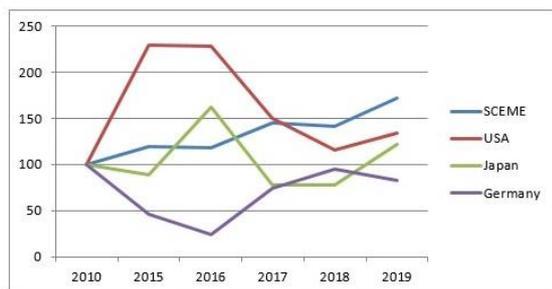


Figure 3. Rate of Foreign direct Investments

SCEME: without Uzbekistan, Azerbaijan, Belarus, Armenia, Kazakhstan

Source: World Bank (2020), OECD (2021)

The prevailing inertial trends in output were understandably accompanied by mostly smooth temporal trajectories of changes in the structure of the distribution of income and capital. According to available data, in SCEME, with the exception of India and Sri Lanka, for the period 2015-2019 income differentiation almost did not increase, and in a number of countries of Southeast Asia it even decreased (ASEAN Secretariat, 2021). Finally, one cannot ignore the following important result of SCEME's development in 2010-2019. The mentioned inertial trends did not have an overwhelming effect on structural shifts. They took place, most significantly expressed in the growth of the educational employment level and imitating technological innovations amid their tremendous global diffusion. As a result, the gap between SCEME and AE has significantly decreased in terms of key indicators of renewal: The human capital index and the total factor productivity (Figures 4 & 5).

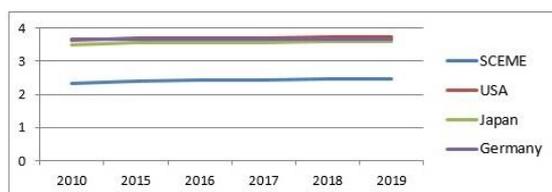


Figure 4. Human Capital Index

*SCEME: without Uzbekistan, Azerbaijan, Belarus, Vietnam, Cambodia and Myanmar.

Source: Penn World Tables (2021). (<https://www.rug.nl/ggdc/productivity/pwt>)

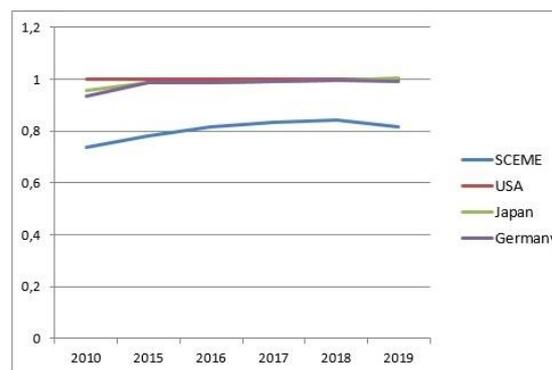


Figure 5. Total Factor Productivity

* SCEME: without Vietnam, Cambodia and Myanmar

Source: Penn World Tables (2021). (<https://www.rug.nl/ggdc/productivity/pwt>)

IV. Prospect for the Transformation of Emerging Economies with Hybrid State Capitalism

The Covid-19 Pandemic has caused great damage to emerging market economies, many of which have been thrown back in terms of potential output for several years. However, regarding the future of these national economies, optimistic expectations prevail taking in a view the ongoing revival in a vast number of them (International Monetary Fund, 2022a; World Bank, 2022). To date, in 2022, due to the continuation of the pandemic and the war in Ukraine, the emerging market economies are hit by an unprecedented increase in world prices for energy resources and food, associated with an increase in other market prices (Asian Development, 2022; Lazard Asset, 2022). In addition, during the recent period, all-embraced practice of quantity easing by major central banks has caused an excessive liquidity in the financial markets and strengthened the overall inflation (Nittayagasetwat & Buranasiri, 2022). Without any alternative, SCEME's countries face with the need to conduct a tight monetary policy in order to curb inflation and ensure an acceptable macroeconomic/ financial situation.

In this regard, it seems logical to turn to the example of Malaysia, where the instruments of national stabilization regulation, independent from the IMF, have been successfully used for a long time. Here, the targeted maintenance of a low base interest rate is complemented by the implementation of a variety of instruments, including the necessary credit regulation to provide really effective quantity easing, and the provision of subsidies and tax breaks to stabilize consumer markets (Ministry of Finance - Malaysia, 2021). Therefore, the necessary preservation of economic activity was achieved under the restrictions caused by an extraordinary stabilization policy.

However, there is reason to believe that the observed structural price rise will relatively soon run out of steam in the context of expected gradually exhausting military confrontation, rapid progress in the efficiency of resource consumption in the largest producing countries, China and India, and, in general, a tremendous global decarbonization. In case of overall stabilization in world economy, the advantage of emerging markets, first of all

concluding in the preservation of the relatively low cost of production factors, will continue to stimulate the assertion of new markets and the influx of new entrepreneurs interested in attracting direct investment. The maximum prolongation of this process will be facilitated by the initiating activity of the state agencies using their capital for ensuring desired market shifts (Asian Development Bank, 2022).

According to the updated forecasts (Asian Development, 2022), in the year of 2023, favorable macro trends will continue in the conglomerate of countries with the considered national economies, except for Sri Lanka and Belarus. In a number of them, including India, Vietnam, Thailand, Cambodia, Lao, the countries of Central Asia, economic growth will even increase, despite of the severe inflationary pressure. In other countries, in particular, Indonesia, Malaysia, Philippines, Azerbaijan and Armenia, there will be some slowdown (softening) of economic growth, but it will remain at a high level. Sri Lanka, after the relatively favorable economic transformation in the past, now definitely falls out of a number of the steady growing SCEME's countries. Here, the necessary institutional and structural reforms have not been carried out over the long period. Besides, existing economic sectors have been suffered hard by the Pandemics (Devapriya, 2022). In Sri Lanka, until 2024, a clear economic recession and a debt crisis are predicted to continue, associated with a shortage of foreign exchange reserves and tight supply bottlenecks (Asian Development, 2022).

Similar to Sri Lanka, Belarus is also currently in a strong economic recession. Sanctions for supporting Russia's invasion of Ukraine have led to a sharp drop in investment, loss of export earnings and supply chain disruptions due to military-related restrictions. However, the next year in Belarus, if the war in Ukraine ends, relative economic stabilization is expected in comparison with the current year (International Monetary Fund, 2022b).

Apparently, dynamic consumer markets in majority of SCEME's will be able to successfully adapt to the expected stagnation or even decrease in the real wages of those employed, with a constant increasing in their number. It will manifest itself in a worldwide steady growth in demand for inexpensive goods and, especially, services, and one can expect a multiplier effect of growth in domestic and external demand for these consumer goods. The example of China and most of the countries of Southeast Asia testifies firsthand in favor of such an assumed trend (OECD, 2020; ASEAN Development, 2021).

The same is true for most intermediate goods and investment markets in the considered conglomerate. Here, the expected effect of cheaper products due to digitalization and other technological innovations will fully affect existing manufacturers. But they will be able to maintain their market positions through a constant increase in labor productivity and capital efficiency in the case of reproduction of the current low resource costs and wages by world standards.

Thus, the following assumption looks as substantiate: At the macro level, the return on inertial output factors is likely to remain approximately at the level in the period of 2015-2019 before the pandemic. Along with this, proceeding from the forecast (World Bank, 2021, 2022), in the post-pandemic period, emerging markets will experience a high growth in direct investment

(domestic and foreign) and employment. If the mentioned forecasts are fulfilled, it is appropriate to expect the restoration of the previous impressive inertial growth trends in the manufacturing and service sectors in SCEME, achieved in the past decade. The same applies to the return to high dynamics of labor productivity in the nonfinancial sectors.

It is also reasonable to assume that the recovery of the inertial trend in output will be accompanied by the previous smooth changes in the distribution of income and capital in majority of SCEME. Additionally, population aging in many emerging markets should be taken into account as a significant factor in reducing income differentiation. What has been said about the inertial factors of development does not at all mean that the importance of imminent structural shifts in almost all economic sectors should be underestimated. As known, in the bygone period there was a significant decrease in the contribution of technological and institutional progress to economic output (an indicator of TFP), which fully affected the post-developing and post-socialist economies. However, in the current five years, a long-awaited turning point is coming, primarily associated with digitalization, the spread of robots and artificial intelligence. The economic effect of such transformational innovations should be projected on the basis of expected future trends, focusing on the actual results in the leading countries as desired patterns.

In the national economies under consideration, significant favorable prerequisites for comprehensive digitalization and automation have arisen (Nguyen et al., 2021). We are talking about the high competitiveness of technological/information giant corporations, accelerating the diffusion of technologies, and the growth of educational potential. As a result, expectations are high for steady growth and high returns on domestic and foreign investment in the "new economy" segments in many SCEMEs.

It becomes urgent to accelerate structural reforms with the active participation of the state and the entire national business. According to the World Bank (2018), if structural reforms will be successful in countries such as India, Indonesia, Malaysia, Vietnam, the Philippines and Thailand, there would gradually be a transition from a capital-intensive type of development to an innovative type in conventional economic sectors following China, South Korea, Taiwan and Singapore.

In addition, an increasing need for an initiating stimulating policy in its broadest sense has taken place, based on the use of the emerging national innovation systems (United Nations - UN, 2020). Financial and other government resources for stimulating innovations, including imitating ones, seem quite sufficient in the majority of considered national economies. This kind of state intervention is intended to be supplemented by an active industrial policy, the institutional mechanisms for the implementation of which have also developed in hybrid economies with powerful state capital. In particular, public-private partnerships will play an exceptional role in the process of new industrialization / digitalization.

A special question concerns the upcoming shifts in the structure of the distribution of wages, entrepreneurial incomes and capital in hybrid economies with prevailing state-capitalist order. By all signs, there will be an ordinal change in the distribution structure due to the challenge of digitalization. It will primarily manifest

itself in an increase in the differentiation of wages and other incomes. As a result, there will definitely be a need for a whole range of institutional innovations in the field of labor market regulation. They are designed to neutralize the negative factors of changes in the structure of employment, taking into account the extra significance of social restrictions specific to individual countries.

In general, it is reasonable to assume that the potential of the considered conglomerate of economies is self-sufficient in order to provide employment for the population in the new technological era. The likely preservation of a relatively low price of labor here allows hoping for a smoothly dosed reduction in personnel employed in industrial and other sectors in SCEME. Also, apparently, the possibility of stabilizing employment in those traditional sectors where the level of wages is obviously low can be realized.

In addition, according to experts, in a large number of SCEME with qualified educational potential, favorable conditions have arisen for the emergence of new professions as a direct result of automation and digitalization. Some of the examples at this point can be designers in digital services and block chain technologies, experts in the use of energy of automated unmanned industries and robots as well as specialists in cyber security ensuring the reliable functioning of artificial intelligence systems.

Researchers predict further strengthening of the position of MNE in the largest post-developing and after socialist countries on the world stage (Cuervo-Cazurra & Li, 2020). The financial interest of these MNE under the expected parity of exchange rates in investment expansion abroad, especially in the markets of Asian countries, will remain very significant. Apart from, in all likelihood, the significance of state protectionism in relation to the "native" MNE will not weaken in the foreseeable future.

A substantial feature of future progress concludes in sustainable development (SD) of the economy and society, which may already take place to the end of current decade (Martynov, 2021, 2022). Recent trends speak in favor of such an optimistic future. A very significant progress in terms of approaching the targets of sustainable development has been achieved in the ASEAN countries (ASEAN Development, 2021). In particular, various eco-social projects are currently being replicated in Indonesia, Malaysia, Vietnam, Laos, and Philippines, largely based on recognized Scandinavian experience. Also already in the coming several years successful diffusion of green and, in particular, circulation technologies in these countries are predicted (Bain & Company, Temasek and Microsoft, 2022).

The powerful potential of public regulation, including at the local level, in SCEME is an objective prerequisite for a successful transition to sustainable economic development at national level. There are at least three weighty arguments in favor of this statement. Firstly, the achievement of SD imperatives in terms of indicators of production and consumption of resources, the development of social sectors and the resolution of humanitarian problems is impossible without the active participation of non-profit civil organizations and the state itself. Thus, the world's experience of recent years confirms the key importance of public-private partnership in the implementation of environmental and many related projects in the countries of Southeast Asia. Secondly, to a no lesser extent, state intervention is required to fulfill the conditions for a stable balance between the proportions of

economic output and the distribution of income. The title role of the state as a systemic regulator still remains undeniable. It is fundamentally important that the monetary stabilization and financial policy are designed to be supplemented by solutions that initiate favorable shifts in the long-term development of economic and social sectors. Thirdly, the state and its competent agencies play an exclusive role in fulfilling the conditions of adaptation as resilience to possible adverse changes. Here, the paramount value of implementing an adequate state policy to neutralize climate shocks should also be mentioned. At the same time, in today's market realities, public regulation aimed at achieving sustainable social progress can be successful only if it is effectively complemented by business performance.

It is worth recognizing that, in general, there has been a profound shift in the activities of large corporations towards the recognition of the imperatives of sustainable development and the need to adapt to the impulses of unsustainable changes (S&P Global, 2022). In SCEME, large corporations are also increasingly following the example of these companies (ASEAN Development, 2021; Sachs et al., 2021). Truth, judging by real experience, charitable activities in this field of big business are distinguished by a deliberately limited scale. The increase of this scale simply contradicts the goals of maximizing financial results and improving / maintaining a competitive position, which remain as the main ones for successful modern corporations.

Also, the key partner of the state in the process of transition to sustainable development and its approval is small and medium-sized businesses. It is difficult to underestimate its possible contribution to achieving sustainable progress in the considered conglomerate of national economies. This, for example, is evidenced by the choice of consumers in India and the countries of Southeast Asia in favor of ecologically impeccable and exclusive food products and furniture items produced by individual entrepreneurs (Sachs et al., 2021).

A special question concerns the significant positive contribution to the resolution of sustainability problems in various sectors, which is already being made by the ecosystem business, operating on the principles of equality and transparency (Adner, 2017). There is a significant expansion in relation to the scale of the ecosystems business. Thus, the spread of successful eco-innovation systems in a number of ASEAN countries has gained universal recognition (Jintana et al., 2020). However, the potential increase in the weighty of this sector, which has mainly centered about digital platforms, in comparison with the large corporate and other sectors seems to be notoriously moderate.

V. Discussion and Conclusion

It is impossible to ignore the existing imperfections of market institutions in the countries of the new state capitalism. However, these imperfections seem quite surmountable. One can expect that the affirmation of the above indicated trends in structural changes will be associated with significant institutional improvements. In turn, as they gradually accumulate, a qualitative shift may occur. It will be expressed in a rapid approximation of the quality of institutions in the hybrid economies under consideration to the level of Western countries (Nguyen et al., 2018). This result would be achieved without frontal institutional liberalization as a necessary condition albeit

deregulation and partial liberalization in selected markets in SCEME, accompanied by a reduction in the corruption "overhang", can bring very positive results. However, in comparison with majority of Western countries the ordinal excess of the state capital presence in SCEME is likely to be stored.

It seems reasonable to agree with the well-substantiated point of view (Alami & Dixon, 2021), that the establishment of a new state capitalism presents a global phenomenon. However, this conclusion does not at all imply the expediency of unequivocal acceptance by countries with emerging markets and the prevailing state-capitalist order of the key value and financial attributes inherited to the global capitalist market in its Western version. These countries are objectively interested in maintaining the institutional mechanisms that allow using relatively cheap resources and labor as a competitive advantage by means of targeted state regulation and, to an even greater extent, active involvement of state capital in the national economic transformation.

On a global scale, the significant dependence of SCEME's on developed market economies is likely to continue. At the same time, their competitive advantages as growing national economies will remain. Of course, the author is fully aware of the sufficient skepticism regarding his research, which comes from an optimistic reproduction of the framework conditions for the long-run transformation of the considered conglomerate of national economies. Amid the war in Ukraine, one should take into account the possibility of a negative scenario of world development in the coming decade. The danger of large-scale military conflicts, moreover, with the use of destructive thermonuclear and other weapons, remains very strong. The extra gloomy predictions about the apocalypse of human society due to geopolitical confrontation retain their significance. Nevertheless, there are good reasons to hope for the realization of a positive global development scenario in the end. This desired outcome is evidenced to a large extent by the choice of the ideology of sustainable social progress on the world stage, which is fixed in the 2030 Agenda adopted by the United Nations (UN).

Finally, it is legitimate to conclude about the possibility of the future transformation of a hybrid national economy with a prevailing state-capitalist component into a sustainably reproducible economy characterized by an efficient and simultaneously fair distribution of resources, incomes and capital. The existing institutions and other main attributes of hybrid EME with a leading state-capitalist order have likely been viable in the face of future challenges, provided that an overall positive scenario of world development in the main fields of social action would take place despite of weighty obstacles.

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