

## COMPETITION IS NOT A DIRTY WORD IN ECONOMICS

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Any sports fan can tell you that losing is no fun. (As a native Washingtonian, I speak with authority on this.) But most fans would add with a shrug that you win some, you lose some, and that the competition itself can be invigorating. That perspective is instructive when thinking about competition in international affairs, which is not always as problematic as it is made out to be. In fact, in the economic arena, competition is essential to expanded growth and prosperity.

To be sure, the dictionary definition of “competition” includes the pugilistic sense of taking the fight to someone, but the word’s Latin roots literally mean “seeking together,” a far more benign notion. The Webster’s New World Dictionary I keep on my desk has a helpful footnote explaining that, unlike its more sinister cousin “rivalry,” the word “competition denotes a striving for the same object, position, prize, etc., usually in accordance with certain fixed rules.”

Both shades of meaning have carried over into the lexicon of international relations. In military matters, competition is often zero-sum: one side seizes territory; the other side loses it. This is what makes Russia’s annexation of Crimea, or China’s building of sand islands in the South China Sea, so troubling. It also explains the preference of those in the U.S. foreign-policy community who stress the importance of constructive relations with those countries not to say that we are “competing” with them.

But like athletes and sports fans, business people and economic policymakers are more accepting of competition, as long as it takes place on a level playing field and with clear rules. To compete is to strive to do better; it is the price of individual success and societal progress. To be sure, not everyone can win all the time in every arena, but fair competition gives everyone a chance to improve and succeed. It is a key ingredient in expanding the economic pie as countries and companies seek more opportunities to trade and grow.

No country is better positioned to compete in the global economy than the United States. We have a large, secure landmass endowed with plentiful natural resources and favorable demographics. Our openness, creativity, and adaptability are legendary. We respect the rule of law. We have great companies that make innovative products and services.

These strengths help explain the U.S. economy’s resilience in rebounding from the global financial crisis of 2008–2009. They also explain why other countries want to do business with us. It is not only American markets, technology, and capital that they seek. They also want to tap into the “soft” elements of U.S. economic power: the fair rules and sound norms that Washington espouses.

This is evident in the willingness of 11 diverse Asia-Pacific countries to join the United States in pursuing high-standard trade and investment rules in the Trans-Pacific Partnership (TPP). For all the complaints about American overbearingness in these kinds of negotiations, most countries still want Washington to champion a high-standard, rules-based economic order.

But the international playing field is getting more competitive. China not only rivals the United States in economic weight but has also started to pursue a more assertive economic diplomacy in Asia, as evidenced by its “[One Belt, One Road](#)” and [Asian Infrastructure Investment Bank](#) initiatives. Despite its recent economic slowdown and financial market volatility,



## Upcoming Events

- September 15: 70th Regular Session of the UN General Assembly begins (New York)
- **September 22: Asian Architecture Conference @ CSIS**
- October 9–11: World Bank/IMF Annual Meeting (Lima)
- October 13: Post-TPP, What’s Next for U.S.-Japan Economic Cooperation? (CSIS)

## COMPETITION IS NOT A DIRTY WORD IN ECONOMICS *(continued)*

China will remain a formidable economic competitor over the long term. Meanwhile, other large emerging markets such as India and Brazil, despite their own recent setbacks, will continue to stake a claim for global economic leadership.

Against this backdrop, Washington needs to step up its game. We have allowed ourselves to become bogged down in narrow domestic political debates, distracted by immediate flashpoints around the world, and uncoordinated in our policy responses. The United States cannot continue to compete and lead in international economic affairs without a comprehensive strategy built on a strong domestic political and economic foundation, tied to clearly defined American interests, and effectively deploying all the tools and strengths of the U.S. government, private sector, and American people.

For U.S. policymakers, there are two layers to this competitive challenge: first, to ensure that the rules of the game are fair and the playing field is level; then, to help the private sector succeed on the field. Regarding the former, the Obama administration has been right to prioritize completion of TPP, but it needs to get the deal done—ideally before the president’s Asia trip in mid-November—and move on to other efforts to update and uphold the rules of the road in the international economy.

President Obama has been criticized for **saying** that the United States, not China, should set the rules for trade in Asia. This was a crude way to make the point, playing to national pride and fear in order to win congressional support for trade promotion authority (and eventually TPP). The president should have focused instead on what

the United States itself needs to do to continue to assert its traditional role as champion of the rules-based order.

Washington also needs to do more to enable U.S. companies and workers to compete in a globalized economy. This starts with investing in the underlying bases of national economic strength: infrastructure, education, and innovation. The White House also needs to lay out an effective international economic strategy and a prioritized set of policies to carry it out. The U.S. government’s policymaking apparatus, designed for the Cold War, needs to be updated and better aligned with the requirements and capabilities of the private sector. And Washington needs to work harder to build support from Americans across the country for smarter engagement in the international economy.

Over the next year, in a new strand of our work on economic statecraft, **the Simon Chair will be working with CSIS colleagues** in the Sumitro and Scholl Chairs to design an economic strategy for the next administration that helps the United States compete and lead in a part of the world critical to U.S. prosperity and security: the Asia Pacific. We hope the lessons from this project will be more broadly applicable to efforts by this administration and the next to sharpen America’s ability to compete in the twenty-first-century global economy. ■

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### Simon Says...

Speaking of competition, few markets are more cutthroat than the one for tablets. The two giants of the field, Apple and Samsung, are bitter competitors in practically every product field they enter, not least in tablets, where they hold 24.5 percent and 17 percent of global market share respectively as of the second quarter of 2015, **according to market research firm IDC**. However each has seen its share decline as others such as Huawei and LG Electronics have muscled their way in. Meanwhile, the market itself has continued its downward slide, declining 7 percent year-on-year in the second quarter. The problem, says IDC’s Jitesh Urbani, is that “longer life cycles” and “increased competition from...larger smartphones” have dampened enthusiasm for tablets. In other words, Apple and Samsung may be victims of their own success in building bigger and better smartphones.

To reinvigorate its declining iPad sales, Apple unveiled a new, business-oriented tablet called the iPad Pro at an event in San Francisco last week. But veteran Cupertino watchers were more surprised when CEO Tim Cook announced a stylus to go along with the new tablet, the Apple Pencil. Former CEO **Steve Jobs famously said “yuck”** in reference to the idea of a stylus and touted the utility of human fingers instead. The new stylus was also announced along with a keyboard, and the emphasis on productivity apps **has drawn comparisons** with Microsoft’s stylus-and-keyboard-heavy Surface tablet. Apple, so often the trendsetter, now seems to be betting that imitation is the way forward to compete in tablets. For its part, Samsung recently released a new tablet, the Galaxy Tab S2, that has strong hints of Apple in its claim to be the **“world’s thinnest tablet.”** ■