International Journal of Economics, Commerce and Management
United Kingdom Vol. II, Issue 11, Nov 2014
http://ijecm.co.uk/ ISSN 2348 0386

COMPETITION IN THE GLOBAL MARKET

PEACEFUL CONFLICT AND ECONOMIC WARFARE

Lane, Jan-Erik
Independent Scholar, Switzerland
janeklane@gmail.com

Abstract

One approach to economic interactions targets the process of competition, the means employed and the extent of adversity manifested by the participants. The other approach looks at the outcomes, especially whether the consumer benefits from producer competition in the form of lower prices and bigger output. One finds the first perspective with scholars doing empirical research into processes of economic change, often Marxist, radical or institutionalist scholars. The alternative approach is to be found in mainstream economic theory, especially with a neo-liberal bend, using the Walrasian equilibrium model that full competition promotes Pareto improvements. Thus, economic competition has been analysed as either predominantly a zero sum (constant) game or as basically a variable sum game. Economic competition can be enquired into through these two entirely different perspectives, of which the conflict approach should be more employed and developed.

Keywords: Laissez-faire, Zero sum and variable sum games, national interests, comparative advantage, niche, industrial policy debate, level playing field, de-localisation, New Colbertism

INTRODUCTION

According to the dominant discourse of the neo-liberal period, the age of the Washington Consensus and period of New Public Management for affluent countries and Structural Adjustment Policies for developing countries, competition is a most effective mechanism for social interaction and the allocation of economic value. The endorsement of competition in practical affairs had strong theoretical underlining in Chicago School Economics as well as pure mathematical economics, or equilibrium theory. With the arrival of depression economics in the early 21rst century (Krugman, 2008) together with the austerity approach in the EU, one may contrast the neo-liberal model of competition as peaceful coordination and with the opposite view of competition as involving conflict. How to conceptualise competition: peaceful interaction or economic warfare? One may remind of the standard stylised images: politics as often violent conflict, and economics as bargaining and cooperation. These classic dichotomies may be questioned, both theoretically and practically. It has been emphasized that politics involve lots of bargaining or negotiations: "Politics is deal making", states K. Shepsle (2010). But can we then also say that economics has a good portion of conflict, perhaps even violent ones?

Economic competition is modelled entirely differently by so-called economic institutionalists as well as by Marxist inspired approaches. One may approach competition from two angles, first the domestic market and second the international scene. Typical of globalisation is that the two have become intermingled to a large extent. Already with a central institutional theoretician like T. Veblen, the fate of the domestic economy was linked with competition in the external market.

Definitions & Concepts

Let us examine a few key authors concerning how they conceptualised cooperation and conflicts. The Collins Thesaurus of the English Language (HarperCollins Publishers 2002) has the following entry for *competition noun*:

1. rivalry, opposition, struggle, contest, contention, strife, one-upmanship *(informal) There's been some fierce competition for the title.*
2. opposition, field, rivals, challengers *In this business you have to stay one step ahead of the competition.*
3. contest, event, championship, tournament, quiz, head-to-head *He will be banned from international competitions for four years.*

Quotations:

"A horse never runs so fast as when he has other horses to catch up and outpace" [Ovid *The Art of Love*]

One typically makes a distinction between orderly economic competition and savage forms of competition. The former requires that there is a set of rules that are followed by the contestants and enforced by a Third Party (Umpire), i.e. institutions, whereas naked competition may be conducted with whatever means are available in order to prevail. Yet, often there is ambiguity or controversy concerning the rules of competition, as strategies of competition display opaqueness: What is fair competition? At the end of the day, the courts play a major role in deciding about the fairness of competitive behaviour – consider e.g. the enormous legal processes and litigation concerning monopoly and oligopoly in anti-trust law or in tax investment fraudulent behaviour.

Today the nature of economic competition in the global market is debated intensely, especially since the publication of Head to Head by L. Thurow (1993). The perspective upon international trade as a conflict between countries - head to head - was sharply rebutted by P. Krugman (Eubanks, 2000:53). Interestingly, Krugman took Ricardo's position in classical economics, approaching trade as a variable sum game with Pareto improvements for all partners, despite his emphasis upon political elements in other forms of economics (Krugman, 2008).

Whether economic transactions - domestically or internationally – are seen as constant sum or variable sum games depends upon how the concept of competition is defined or approached, as well as whether it is a matter of competition between firms, countries or even institutions. Economic competition focuses upon profits, market shares and money in general. One speaks of three kinds of competitiveness or the capacity of winning over another – the opponent - in the acquisition of economic values:

a) Firm competitiveness: one firm out-competes another firm in sales, profits or market shares;

b) Country competitiveness: in country rankings, entire countries are said to offer a more or less competitive environment or culture;

c) Institutional competition: To explain country differences in competitiveness, one often refers to the set of institutions or rules in place. Thus, for instance one speaks of a set of market institutions as stimulating firm or country competitiveness more than other kinds of institutions, like the planned economy or clientelism like crony capitalism. Acemoglu and Robinson (2013) identify *inclusive* institutions in the economy as well as in the polity as especially conducive to country affluence, outperforming exclusive ones.

ZERO-SUM AND VARIABLE-SUM GAMES

Competitions can be analysed from two perspectives, namely both a zero-sum (constant) game and a variable-sum game. It depends upon the stand-point adopted, viz those of the competitors or that of those benefitting from competition. Competition between two or more firms is a zero-sum game for the competitors, like for example Nokia against Samsung, but for the market as whole it is a variable-sum game, involving increases in total global output. From the point of view of nations, the outcome of giant firm competition may be the loss of an advanced industry, like for Finland.

It may seem inconsistent to examine economic competition from the point of view of conflict, given the established distinction in game theory between variable sum games and zero sum games. As long as economic competition is restrained by rules and effective institutions prohibiting violent behaviour, it would basically adhere to the logic of the variable sum game, as with economic life in general. Zero sum (constant) games display the logic of adversity or conflict interaction, whether the means employed are peaceful or violent ones. Yet, one should question this simple classification of economic life as overwhelmingly win-win situations and, as an implication politics as fundamentally zero sum situations.

In economic history, one encounters many situations where economic competition has taken on the features of warfare, as when a country exploits another under a colonial regime, for instance India under British rule, favouring British industry ahead of Indian industry. Countries often went to war in order to secure economic interests in trade, agriculture or manufacture. Whether it always paid off is another question, as warfare tends to become very costly on its own terms. Thus, one has actually asked: Was colonialism profitable at all?

In the history of economic thought as well as within political economy, competition has been modelled in two contradictory ways. On the one hand, laissez faire economists look upon competition as a mechanism for achieving Pareto-optimal outcomes, as the competitive equilibrium secures the lowest price and the maximum production feasible in a given market environment. On the other hand, Marxist economists view economic competition as struggle with whatever means available for profits.

The debate between free marketers and Marxists has a long history, dealing with some central themes in economic theory, like trade, foreign direct investments, regulation, anti-trust policy and monopoly as well as oligopoly, competitive devaluations, etc. Here, we shall focus upon the present day situation with free trade and foreign direct investments among nations as the central topic, given that several areas of economic competition have been deregulated globally or regionally. Is global competition *fair* competition, or is it basically economic warfare strategy where not only firms but also governments go “head to head” in Thurow’s terminology? Let us first examine the implications of the theory of competitive equilibrium and second look at the risk of industry decline, de-localisation and loss of national economic niches.

Competition: The Neo-Liberal Model

One may single out two sides of global economic competition: the micro or firm perspective against the macro or government (country) perspective. On the one hand, the individual firms – the micro perspective – have to approach the struggle for market shares as a battle, where competitive edge plays a considerable role, especially in deregulated markets.

On the other hand, there is the national or government perspective, focussing upon the competitive macro position of its entire country globally. The process of globalisation presents the individual firms with an integrated market, where it has to compete both domestically and globally. The same process also makes government look for policies that increase the global competitiveness of its own or national enterprises, one reason being the fear of de-localisation and loss of employment/tax revenues. How to model micro and macro aspects of competition in the new global market economy?

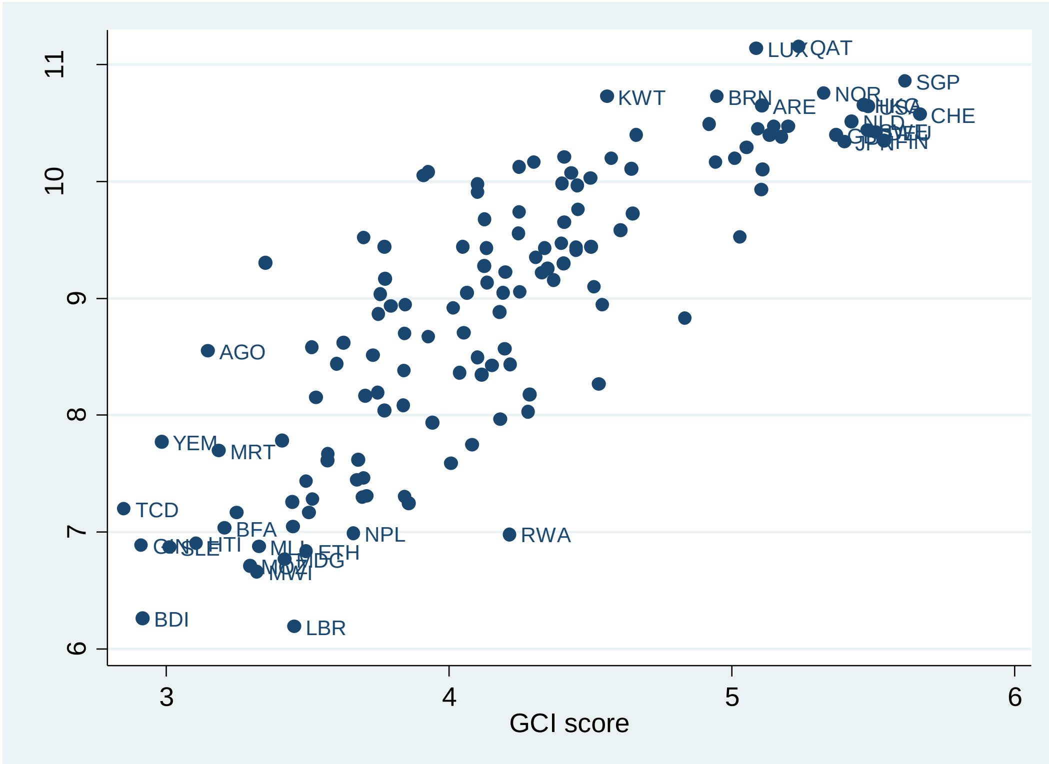
According to the theory of competition launched by M. Porter, what decides the success or failure of nations is not Ricardo's comparative advantage but competitive advantage. Let us quote from him:

In the modern global economy, productivity depends less on what industries a nation´s firms compete in than on how they compete – that is to say, the nature of their operations and strategies. In today´s global economy, firms in virtually any industry can become more productive through more sophisticated strategies and investments in modern technologies. (Porter, 2000: 16)

The Porter theory of competition fits with the neo-classical theory of economic growth, underlining the fundamental importance of labour, capital and technology. In addition, it inserts the notion of a *competitive climate* in a country, which is to some extent an endogenous variable that can be impacted upon through government policy-making. Decisive for the success or failure of a nation is the amount of competition in all three basic factors promoting economic growth: labour, capital and technology, in a competitive environment involving *several* domestic or foreign firms.

Yet, Porter's model does not mention competition as a policy by governments involved in a struggle *head to head* with other nations. It entirely rejects the relevance of industrial policy-making. And it looks upon the competing firms without any national bias. Governments should only attempt to foster a competitive climate in various ways. Consider Diagram 1, which portrays the overall economic advantage – GDP per capita – as a function of the degree of country competitiveness, as measured by the well-known Davos institute index.

Figure 1. Country Competitiveness and GDP per capita (ln)



Sources: GCI: http://www.weforum.org/reports/global-competitiveness-report-2013-2014¸Growth: http://www.imf.org/external/pubs/ft/weo/2013/01/weodata/index.aspx; GDP/capita: http://databank.worldbank.org/data/home.aspx

Note: r = 0.8361.

One observes in Figure 1 that economically successful countries are characterised by high scores on this much debated competitiveness scale. But Porter needs to explain where the climate of competition comes from. He argues that a competitive industry on the global scene is one where there is strong competition domestically among a few producers, i.e. the complete opposite to one firm dominance. Thus, forceful domestic competition creates a national competitive advantage. Example: Swiss "horlogerie," or Swiss pharmaceuticals, the German car industry, manufacture of clothes in Bangladesh, Silicon Valley technology, French wine or luxury items.

How is a government to advance the competitive edge of domestic or national industries? One could think of a variety of measures that increase the competitive edge of a country: cheap financing, monetary policy like devaluation, technology transfers, copying, joint ventures, etc. But they may not be in agreement with the WTO principles for free trade or violate the rules of a free trade area. It is true that competition is today supported by both domestic and international institutions. Free market economics usually underline the necessity of external rules and their enforcement for the functioning of the competitive market. But if government is to supply these rules domestically or in collaboration with other states on the global scene, what would stop them from trying to deviate from a strict level playing field, if this promotes certain national interests? Emerging economies are not only interested in a level playing field, supported by for instance the WTO. Their governments are also interested in strategies that help their enterprises win international market shares or invite foreign companies to settle down in their country (Chang, 2008).

Governments in advanced economies like for example France, fear de-localisation. Economic change may be very rapid when an emerging country can draw upon both strategies: expansion abroad and foreign direct investments at home. These political implications of competition are very important for a country and its government, although they tend to be dismissed in a purely abstract theory of economic competition.

This approach is to be found in mainstream economic theory, especially with a neo-liberal bend, using the Walrasian equilibrium model that full competition promotes Pareto improvements. Thus, economic competition has been analysed as either predominantly a zero sum (constant) game or as basically a variable sum game. Economic competition can be enquired into through these two entirely different perspectives

Law and Economics: Decent Versus Unfair Competition

The scholars who contributed to the school *Law and economics*, like H. Demsetz and R.A. Posner, would be inclined to reject the Schumpeter view of economic development towards monopoly and socialism. According to *Law and economics*, the market has an inbuilt drive towards the perfectly competitive equilibrium, especially when domestic markets are linked globally in one single market economy. The fundamental hypothesis here is that the market is determined by the *law*, meaning that global competition is feasible when and wherever there is legal order sanctioning a complete level playing field all over the world with contract enforcement (Cooter and Ulen, 2006). Neo-liberal economists would argue that only the institutions of free market economics with a neutral state can bring lasting welfare (Friedman, 1962: Stigler, 1977).

They see restriction upon competition as coming from outside the market, ainly through government interference, often driven by rent-seekers. The importance of regulation derives from the necessity to protect the level playing field from such outside interference. Thus, for instance innovations need to be protected by means of patents, but only for a certain period of time. Monopoly or oligopoly is only sustainable when supported by forces outside of the market.

Thus, there is a need for all the time enlarging the market so that contestability can operate. At the end of the, monopoly and cartels are self-defeating mechanisms, when there is open access to the market.

Competition and warfare

Strategies of economic competition may actually become indistinguishable from warfare when politics is employed to conquer country economies – colonisation – or when colonial powers employ their domination to subjugate the economy of the colony. Neo-classical economists have shown little interest in these forms of outright political intervention for economic objectives, but economic historians debate them often without arriving at an overall consensus about the profitability of colonial structures of power.

Take two examples of purported economic warfare: British rule over the Indian economy, forcing India to buy British manufactured goods and sell cheap primary goods, and the operation *Cobra,* i.e. the invasion of Iraq in order to purportedly get access to cheap oil. Yet, whether British colonialism was profitable or not when *all* costs are taken into account has been questioned. It is true that the UK gave up colonialism partly for economic reasons: "Trade not Empire"! Operation *Cobra (Iraqi freedom)* was a complete failure from all possible angles, except that of removing a brutal dictator. The US army had to pay market prices for the petrol and gas it used for its war machines in occupied Iraq. And now the situation in Iraq is that of anarchy or total chaos.

When the zero sum aspects of economic competition are emphasized, it is rarely a question of neo-colonialism, which is irrelevant and out-dated. Thus, the Soviet Union exhausted itself not only in the failed interference in Afghanistan but also in providing more or less free or subsidised things – resources, arms – to its allies in Eastern Europe and elsewhere. Today economic warfare refers primarily to rapid changes in international trade, involving heavy de-industrialisation, de-localisation and losses of economic niches.

THE COUNTER DISCOURSE

The industrial policy debate between free market economists and state capitalist theorists never resulted in a conclusive explanation of the Asian miracle, its sources and mechanisms. On the one hand, it was argued that import substitution and export orientation had helped several firms to reach sufficient size. On the other hand, it was counter-argued that a number of firms succeeded despite industrial policies due to acceptance of market pressures.

The so-called Asian developmental model approached economic growth as a zero sum game, where market shares were up for grabs. Wade (1990) argued forcefully that governments could steer markets to the advantage of national interests, but his thesis has been criticised (Costa, 2014; Naughton, 2006). Returning to the theme, Wade (2003) insisted on the advantages of a developmental state.

Market shares constitute a zero sum game, at least in the short run. Internally, monopolies and oligopolies attempt to maximise market shares in order to control price and quantities. Globally, the MNCs or TNCs similarly aim at securing market shares in numerous countries in order to exploit the benefits from economies of scale. Yet, the struggle for market shares typically runs into some severe collective action difficulties, especially in the long run. Thus, we have:

- When one player tries to maximise market shares, this firm will face sooner or later similar tactics from other players – the PD game, or collective foolishness.
- The strategy of maximising market shares is costly, especially when contested by other firms – the so-called *Chainstore Paradox*.
- When the force of the state is employed in these tactics of securing market control, government tends to run up various costs – dead-weight losses and rent-seeking costs.

However, these arguments against governance of the market do not entail that states are not prepared to engage in various strategies and tactics improving competitive edge. There are examples of great success for industrial policies, but also of some dismal failures. One is reminded of the contrast between East and South East Asia on the one hand and Latin America on the other hand where the economic philosophy of Raul Prebisch in the ECLAC failed completely. But there is more to be said about industrial policy-making.

The theory that the state can promote capitalist development by means of a set of rational policies did not originate with the so-called Asian Tigers – economic nationalism. On the contrary, it belongs to Western economic thought, constituting one sub-field like Marxism as also another sub-field, besides mainstream classical or neo-classical approaches

In an often cited book, Japan expert C. Johnson (1984) supported the idea that countries can use industrial policies successfully. The reply from neo-liberal scholars was that Japan and the other Asian Tigers had succeeded *despite* industrial policy-making by means of access to cheap capital, harsh regimentation of the labour force and lots of copying with very little of productivity gains due to internal innovations (Krugman, 2008).

GLOBAL COMPETITION AND THE EUROZONE CRISIS

As globalisation rolls on with massive changes in both economic life and the environment, one observes certain disequilibria. One of them is the decline of Europe economically at the same time as the economic centre of the world is shifting towards the East, South and South East Asia, including the Chinese penetration of the African economy. Is there a kind of economic warfare going on behind these major developments?

When countries decline economically, they risk losing their niche in the global market economy. Typically, certain key industries or sectors of the economy face grave challenges from competition abroad. Governments need to find responses, as a loss in the comparative or competitive advantages of a country would have consequences also for the revenues of the state.

Industrial decline may be looked upon as external shock to the country in question. It raises a number of questions about fair competition in the global market economy as well as calls for strategic responses from both government and the private sector. Actually, process of competition have been modelled as both zero sum and variable sum games in both the domestic economy – monopoly and anti-trust policy – and the international economy – trade wars. Today, competition is played out in one global market economy.

A new form of economic warfare is the entire economic penetration of one big country of another small country. In China´s broad based economic policies in several African countries, political penetration is not in the cards. But the strategic combination of these different policies leads to an undeniable predicament of economic dominance.

It is to be admitted that Thurow (1993) received little appreciation in terms of his book on the future competition between on the one hand the US and the EU versus on the other hand Asia; east, south east and south Asia. Krugman among others argued with much emphasis that such a perspective upon global trade and market shares for the major country companies entailed too much of a zero sum perspective upon international trade and investments, which basically resemble more variable sum games with feasible coordination successes. But were really Thurow´s predictions or warnings so irrelevant?

Consider the basic economic growth data in Table 1, covering the 67 largest country economies in the world. Over a rather long time span of 12 years, the NAFTA and EU countries have performed much worse than the dynamic economies in Latin America, Asia and Africa – what Thurow would perhaps consider as evidence in his favour.

Table 1 Summary of growth in total GDP 2000-12 in the largest country economies in the world today

Groups	Mean	Std. Dev.	Freq
1	2.31	.84	3
2	4.30	1.13	7
3	3.07	1.03	21
4	3.83	1.76	14
5	5.56	2.08	22
Average	4.14	1.91	67

Sources: USDA-ERS: http://www.ers.usda.gov/data-products/international-macroeconomic-data-set.aspx; World Bank: http://databank.worldbank.org/data/home.aspx

Note: Groups: (1) NAFTA; (2) Latin America; (3) The EU; (4) Asia: East, South East and South; (5) Others.

If Japan with chronic economic stagnation is deleted from Group 4, then only the NAFTA the EU countries would score below the global growth average. The relative decline of the NAFTA and the EU has been so painful that the metaphor “head to head” does not sound inappropriate, as Krugman frequently stated. Economic competition is sometimes a zero sum game with losers regretting the outcomes, especially when it results in unemployment and entire industries decline. Let us look at some theories that look upon economic competition as intense struggle, sometime with guile.

One could no doubt have expected that the decline of the EU-land and especially the EU-zone would trigger a debate about free, fair and balanced competition at the macro level. It is hardly an exaggeration that the combined outcome of a most severe crisis in the financial economy and the supply chock in the real economy from East Asia has contributed to the emergence of a New Colbertism, i.e. some set of industrial policies in order to:

(a) protect national industries or key niches in the global market economy;

(b) stimulate innovations that may help the EU countries in a “creative reconstruction”.

Especially, the EU countries with a few exceptions (e.g. Scandinavia, Slovakia, Poland) have cause to reflect over their country competitiveness – see Table 2 with its meagre growth rates for 2007-2012.

Table 2. Affluence 2007-2012: GDP and GDP Growth (ln)

Geo	Kod	loggdp07	loggdp12	growth
European Union	EU27	7,09	7,11	0,34
Euro area	EA17	6,96	6,98	0,43
Belgium	BE	5,53	5,58	1,00
Bulgaria	BG	4,49	4,60	2,21
Czech Republic	CZ	5,12	5,18	1,28
Denmark	DK	5,36	5,39	0,61
Germany	DE	6,39	6,42	0,74
Estonia	EE	4,21	4,23	0,49
Ireland	IE	5,28	5,21	-1,24
Greece	EL	5,35	5,29	-1,23
Spain	ES	6,02	6,02	-0,03
France	FR	6,28	6,31	0,63
Italy	IT	6,19	6,19	0,07
Cyprus	CY	4,20	4,25	1,02
Latvia	LV	4,32	4,35	0,49
Lithuania	LT	4,46	4,52	1,14
Luxembourg	LU	4,57	4,65	1,47
Hungary	HU	5,00	4,99	-0,15
Malta	MT	3,75	3,83	1,67
Netherlands	NL	5,76	5,78	0,43
Austria	AT	5,44	5,49	1,07
Poland	PL	5,49	5,58	1,77
Portugal	PT	5,23	5,22	-0,20
Romania	RO	5,10	5,12	0,48
Slovenia	SI	4,54	4,55	0,22
Slovakia	SK	4,74	4,85	2,30
Finland	FI	5,25	5,29	0,68
Sweden	SE	5,53	5,61	1,65
United Kingdom	UK	6,31	6,28	-0,71

Source: Eurostat: Government Finance Statistics for 2009–-2012

Both the US and the EU has for quite some time expressed discontent with the global competition regime, as it is practised through the WTO system. Thus, the massive job losses in the US and the EU are partly blamed upon East Asian tactics to circumvent basic principles of the global trade and investment regime. However, the resort to trade war and various forms of trade and investment hindrances would offset the counter-criticism of "beggar thy neighbour" approaches. Competitive devaluations result in a global PD game with all losing out. Yet, holding down the value of the Chinese Yuan (Rimini) artificially amounts to a form of economic warfare.

France now reflects upon New Cobertism as a method to save its niches and develop hopefully new competitive global industries. But as adherents of Chicago School Economics would counter: How can governments make the right choices when all the available information is present only in the markets? And Chicago School economists would not care too much about dumping, as lower prices always benefits the consumers (van Overtveldt, 2007).

COMPETITION AS A GAME

According to mainstream economics, there is no need for anti-trust policy-making, when there is open access. Governments should never engage in market governance, neither industrial policies not welfare state regulation of minimum wages etc. The market is when left untouched from the outside perfect, i.e. moving towards the Pareto optimal equilibrium, or an optimal outcome, as prices are minimised and quantity maximised. However, its basic institutions – property, contract, theft – must be enforced at all times in an effective manner.

In a global market, no firm can control all the market shares, meaning that intruders will have to be accepted. Firms that loose out can always change their niche. Or their employees can be rehired by the successful competitors. Thus, a reduction in the volume of cars produced by French car makers will be compensated by an increase in cars produced by foreign competitors, sometimes produced in France (Table 3). Global competition is a variable sum game between countries where firm ownership is not an important consideration.

Table 3. Competition as variable sum game

		Country 2	
		Global expansion	Domestic concentration
Country 1	Global expansion	70, 70	60, 40
	Domestic concentration	40, 60	50, 50

There is no rationale for industrial policy, as competition leads to the Pareto optimal outcome. Yet, things are of course different in reality where countries fear de-localisation or foreign penetration, especially if it results from unfair competitive strategies.

Yet, in a global market economy where the domestic economies have been more or less integrated into global capitalism, nations worry about their competitive edge. They fear that other countries will invade their home markets or capture parts of their industries in the major process of de-localisation. Thus, nations face the threat of decline from the following:

a) Industry backbone: nations may lose their traditional niche by either export competition or de-localisation: How to protect the special features of the country competitive edge in for instance car construction, pharmaceuticals, financial services, etc?

b) National research interests: when a country loses its competitive edge, it often implies that its knowledge advantages are also lost. Other countries close the knowledge gap quickly through copying, espionage or research upgrading at schools and universities.

c) Employment and training: the impact upon employment from decline in competitive edge can only be negative: more unemployment. Although the intruders may pick up some of the work-force from national industries, industrial decline weakens a nation.

d) Fiscal deficits and debt, less state revenues, more social expenditures, etc.

e) Industrial security: the future capacity to make innovations that lead to major investments in factories and employment.

Given the interest of nations in supporting research endeavours in universities, schools and institutes, it is little wonder that governments conduct so-called research policies long-term and are eager to be present when big industrial projects are contracted in other countries. When global competition entails only the redistribution of market shares, the game is basically constant sum (Table 4).

Table 4. Competition as constant sum game

		Country 2	
		Global expansion	Domestic concentration
Country 1	Global expansion	70, 30	40, 60
	Domestic concentration	40, 60	50, 50

Here, there are winners and losers from global competition over market shares. Country 2 would actually be better off if there was no global expansion and foreign interpenetration.

INTERNATIONAL COMPETITION: The New Chinese Approach

Behind the efforts at establishing and implementation a global competitive regime lies all the time the threat of economic warfare, which when carried to its extreme results in the predicament of the 30s – no trade at all virtually. However, the WTO system is incomplete and opaque as well as operating slowly. It is weak enough to allow for the occurrence of economic competition as zero sum games. When countries cheat on the basic rules, it is not easy to take action. And complaint at the WTO may just stimulate counter-actions from the other party. Thus, when France accuses East Asian firms of dumping the price of solar energy systems, then China puts in restrictions upon the import of luxury French wines, etc.

The almost incredible Chinese economic expansion since 1980 could hardly have been done without Chinese firms – public, semi-public or private, joint enterprises with the West – defeating competitors in zero sum games all over the globe with tactics that call in question the WTO principles: artificial currency depreciation, dumping, local content, bi-lateralism, infant industries or lack of national treatment, strategic investments, etc. Yet, at the same time complaints against the East Asian dynamic countries have little consequence, as the world economy is heavily dependent upon China and South Korea, Hong Kong and Singapore when they for instance sustain demand for Western products in a variable sum game (Yueh, 2013).

Complaints against China for artificially holding down its currency occur almost daily, but result in little. The ongoing penetration by China of several country economies in Africa should interest the West more. It is definitely a question of combining strong enterprises with state diplomacy to capture often resources that are in finite supply. There is a whole plethora of mechanisms – concessions, licenses, barter contracts, kick-backs, etc – that may be employed to exclude competitors: e.g. Egypt, Ethiopia, Sudan, Gabon, Angola, South Africa, Zimbabwe, Tanzania, and Zambia. When natural resources are in finite supply, then pre-emptive strategies may be highly rewarding in the global market place. It does not matter that there in an *Ocean Market* of suppliers when the resources in question are being used up quickly, as for instance the valuable timber in Gabon (Economy and Leary, 2014; French, 2014).

The recent Chines penetration of several African economies has been studies from various angels (Alden, 2007; Rotberg, 2008; Brautigam, 2011; Moyo, 2013; Chan, 2013; Jacques, 2012). The massive Chinese intervention in African economies – capital, investments, labour, innovations, infra-structure, and finance – is either looked upon as a win-win game or as a constant sum game where the winner is China and the loser the population in these countries, at least in the long-run perspective. What is problematic is the intimate collaboration with dictatorships, as the profits for the Africans may be dissipated in huge rents for the ruling family or clan. When Chines enterprises harvest the rain forest in Gabon and provide the Bongo family with money to buy properties and assets in France: *Ca sert a Quoi?* In addition, there is the environmental aspect of many of these ventures, especially in oil and mining exploration. The point here is that this Chinese penetration is little market driven and much a matter of government foreign policy. Thus, firm competition in Africa often involves a dimension of zero sum games, or conflict. We read the following statement in African Energy: Issue 286:

”President Xi Jingping’s call for China-Africa trade to exceed $400bn by 2020, with infrastructure investment a priority in driving that exponential increase, is a realistic target as ever more Chinese companies explore the continent’s markets. China Inc made a spectacular return to African business in the last decade, with bilateral trade rising from $10bn in 2000 to $210bn in 2013 – an increase many times greater than even optimists in the Beijing government had planned. Officials and company executives in Beijing often comment that things have not always gone as smoothly for China Inc as envious business rivals might think.”

The emphasis in this quotation is upon the mixture of economic and political strategies to achieve market dominance. It is definitely not neo-liberal competition.

CONCLUSION

Industrial policy-making is in the West not regarded as a proper response to the declining competitive edge of a nation. It is not in agreement with the policy emphasis upon a global level playing field, where there is fair competition in all countries. The WTO as well as the regional organisations has devoted much attention to enhancing fair competition, supported by means of rules that are more or less institutionalised.

Yet, *in reality* countries do try to protect internally or promote externally their core industries, as they know that the call for a complete level playing field is often hypocritical (Chang, 2008). Or nations attempt to create new spheres of economic interest, like China with its broad penetration of several African economies. As the process of globalisation moves on like a *Juggernaut,* the size of the market is for sure expanding but competition becomes fiercer, as countries fear industrial decline. The analysis of global competition must take into account the elements of politics in trade and foreign direct investment.

REFERENCES

Acemoglu, D. and J. Robinson (2013) Why Nations Fail: The Origins of Power, Prosperity, and Poverty. New York: Crown Business.

Alden, C. (2007) China in Africa. London: Zed Books.

African Energy (2013) Issue 286, Available online at http://archive.crossborderinformation.com/Article/Corporate+China+seeks+deeper+penetration+across+African+markets.aspx#ful

Brautigam, D. (2011) The Dragon's Gift: The Real Story of China in Africa. Oxford: Oxford U.P.

Chan, S. (2013) The Morality of China in Africa: The Middle Kingdom and the Dark Continent. London: Zed Books.

Chang, H-J. (2008) Bad Samaritans: The Guilty Secrets of Rich Nations and the Threat to Global Prosperity. New York : Cornerstone Digital.

Costa, A. P. D. (2014) (ed.) Globalisation and Economic Nationalism In Asia. Oxford: Oxford U.P.

Cooter, R.B. and Ulen, T. (2011) Law and Economics. New York: Pearson.

Economy, E.C. and M. Leary (2014) By All Means Necessary: How China's quest for resources is changing the world. Oxford: Oxford U.P.
Eubanks, P. (2000) A War of Words in the Discourse of Trade. Carbondale, Illinois: Southern Illinois University.

Fenby, J. (2013) Tiger Head, Snake Tails. China today: How it got there and why it has to change. New York: Simon and Schuster.

Friedman, M. (1962) Capitalism and Freedom. Chicago: University of Chicago Press.

Foster, J.B. (1999) “Marx’s Theory of Metabolic Rift: Classical Foundations for Environmental Sociology1”, AJS Volume 105 Number 2: 366–405.

Foster, J.B. and R. W. McChesney (2012) The Endless Crisis: How Monopoly-finance Capital Produces Stagnation and Upheaval from the USA to China. New York: Monthly Review Press.

Foster, J.B., Clark, B. And R. York (The Ecological Rift: Capitalism's War on the Earth. New York: Monthly Review Press.

French, H.W. (2014) China's Second Continent: How a Million Migrants Are Building a New Empire in Africa, New York: Knopf.

Jacques, M. (2012) When China Rules The World: The End of the Western World and the Birth of a New Global Order. London: Penguin.

Johnson, C. (1984) The Industrial Policy Debate. San Francisco: Ics Press.

Krugman, P. (2008) The Return of Depression Economics. New York: Allan Lane.

Li, S., Sato, H. and T. Sinclair (2013) Inequality in China: Challenges to a harmonious society. Cambridge: Cambridge U.P.

Lin, J. (2011) Demystifying the Chinese Economy. Cambridge: Cambridge U.P

Moyo, D. (2013) Winner Take All: China's Race For Resources and What It Means For Us. London: Penguin.

Naughton, B. (2006) The Chinese Economy: Transitions and Growth. New York: Norton.

Pannella, C.W. (2008) China's Economic and Political Penetration in Africa Eurasian Geography and Economics, Volume 49:6: 706-730.

Porter, M. E. (1998) Competitive Advantage: Creating and Sustaining Superior Performance. New York: Free Press.

Porter, M.E. (2000) “Attitudes, Values, Beliefs, and the Microeconomics of Prosperity”, in Harrison, L.E. and S.P. Huntington (eds) Culture Matters. New York: Basic Books.

Richards, J. (2012) Currency Wars. New York: Portfolio Trade.

Rotberg, R.L. (2008) China into Africa: Trade, Aid, and Influence. Washington, DC: Brookings.

Shepsle, K. (2010) Analysing Politics: Rationality, Behaviour, Institutions. New York: Norton.

Stigler, G. (1977) Citizen and the State. Chicago: University of Chicago Press.

Stiglitz, J. (2012) The Price of Inequality. New York: Norton.

Thurow, L. (1993) Head to Head. Warner Books.

Van Overtveldt, J. (2007) The Chicago Scool. Chicago: Agate.

Wade, R. (2003) Governing the Market. New York: Free Press.

Yueh, L (2013) China's Growth: The making of an economic superpower. Oxford: Oxford U.P.