BRANDING THE NATIONAL INTEREST:  
THE RISE OF SOFT POWER IN JAPAN AND CHINA

A Thesis
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Graduate School of Arts and Sciences
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By

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No question is so difficult to answer as that to which the answer is obvious.
~George Bernard Shaw

This thesis started with an ideology that took 25 years to come to fruition. It was triggered by a framework that came after listening to a talk by Joseph Nye and ended up with a process just as valuable as the product.

I am grateful to the following people in the course of writing this thesis. I would like to thank my primary adviser, Dr. J.P. Singh whose patience and guidance in my stubborn pursuit of understanding the nuances of soft power has been unwavering. The same gratitude extends to my second reader, Professor Dennis Lockhart whose advice and critiques have been extremely helpful in fashioning my idea into applicable concepts.

There are a number of individuals who have provided assistance and advice in the course of writing this thesis: Simon Anholt who has generously shared statistics on his Nation Brand Index, Dr. Frank Baldwin translator of the book “The Japan that Can Say No” who gave useful resources for research, Koji Isozumi from METI who provided guidelines on Japan’s brand evaluation, Masahiro Sato who furnished documents on Japan’s Economic Structural Reform, Dr. Hairong Li from Michigan State University who has provided constructive comments on Chinese branding and Dr. Kevin Doak, Chair of the Nippon Foundation and Head of Georgetown University’s East Asian Languages and Cultures who have been generous with his time and advice.

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Chapter 1. Introduction

*The concept of interest defined as power imposes intellectual discipline upon the observer, infuses rational order into the subject matter of politics, and thus makes the theoretical understanding of politics possible.*

- Hans J. Morgenthau (from Politics among Nations, 1967)

National interest is usually defined as a country’s goal or ambition and primarily for the purpose of a state’s survival or security. Countries generally seek to accumulate economic and military wealth to become powerful figures in the world stage. Mearsheimer (2001) calls this power of force in military terms the *ultimata ratio* of international politics. While international relations has largely studied the rise of great economic powers in world diplomacy using these *hard power* capabilities, this thesis is interested in exploring the other face of power – the intangible capabilities of what is called *soft power*. This power of attraction where states use culture, values and ideologies to create a positive image is less-studied in international relations. The thesis attempts to show that intangible assets like brands are sources of soft power that can help states fulfill their national interest. National interest is defined for purposes of this study in terms of wealth and image creation.

More specifically, this thesis makes four arguments. First, corporate brands hold more than just economic value in terms of brand equity; they carry within them a country’s “value system”. This will be discussed in terms of a country’s history as well as

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1 The power of coercion or the ability to get the outcomes you want through force or threat (Nye, 1991).
its political and corporate environment. Second, a national brand (e.g. in the form of Japan, Inc.) is a reflection of corporate brands. Third, the national brand is a contributor to the national image of a country. It can enable the country to gain recognition or legitimacy within the international system. Lastly, national brands help fulfill a state’s national interest in terms of image creation and wealth. They can achieve both economic and political objectives for the state. The fulfillment of national interest will be discussed in the context of soft power. The theoretical construct of the conceptual argument is found below:

![Theoretical Framework](image)

*reflects the national image

**Figure 1.1 Theoretical Framework**

**Definition of Terms**

For the purposes of this study, a list of terminologies is found below:

- **Value System**: analytical tool used to describe a value imbedded in brands; product of a nation’s history, political system, corporate culture etc.; this is where the essence of soft power lies
- **Hard Power**: Achieving outcomes through command or coercion (usually in terms of military or economic might)
- **Soft Power**: Achieving outcomes through attraction

**Independent Variables:**

- **Corporate Brands**
  *Conceptual Definition*: A country’s top global brands
  *Operational Definition*: Sony and Toyota (Japan); Lenovo, Haier etc. (China)

- **National Brands**
  *Conceptual Definition*: For the purposes of this study, the collective value system of a country, rooted in history, in a country’s aspirational value and generally reflecting the image of the corporate brands; also a contributor to the formation of the national image.
  *Operational Definition*: Japan, Inc. and China, Inc.

**Dependent Variables:**

National Interest measured in two ways:

- **National Wealth**: One of the country’s desired outcome from the international system (measurable in terms of profits, sales, GDP)
- **National Image**: A country’s indirect desired outcome (more difficult to measure in terms of perception, polls etc)

**Structure**

The structure of the thesis is straightforward. Chapter 1 describes the purpose of the study. It shows how branding can be a source of soft power for the state by fulfilling the state’s national interest both in the creation of wealth and the formation of the national image. The second chapter outlines the reasons why soft power is important to
countries and the theoretical framework to validate the research hypothesis. The next two empirical chapters (i.e. Japan and China) are case studies chosen because of the variation in the independent variable with the former exhibiting a strong brand presence and the absence of a strong brand presence in the latter.

Chapter 3 examines the first of the two case studies and argues that Japan has gained substantial soft power leverage through brand recognition in the formation of Japan, Inc. with the image of quality and reliability. The creation of Japan, Inc. has fulfilled the national interest of wealth creation and obtained a favorable image for the state.

Chapter 4 explores the rise of unbranded goods from China and argues that China, Inc. is still evolving because of the absence of strong corporate brands. While China, Inc. has been able to generate wealth for the country, Chinese products are still largely perceived as low-cost rather than quality goods. Thus, China is still struggling to create a favorable national image for itself.

The last chapter validates the hypothesis that brands can help fulfill a country’s national interest in creating a favorable image for the state and thus, are potential sources of soft power.
Background of the Study

Before the twenty-first century, the struggle for world dominance has been largely governed by economic and territorial expansion. It was the age of guns, steel and machinery. Trade and commerce have been at the forefront of economic development giving rise to a world class system of production. These systems of production led to the rise of multinational corporations and international markets. The growth of multinationals and the impact of globalization also brought about the rise of brands.

In marketing literature, brands have long been argued to have an attractive value that earns brand owners recognition and trust. This intangible value that cannot be measured easily can be assessed in terms of wealth and profits. But brands are more than just economic goods that embody ideals consumers admire and help firms and nations maximize wealth.

National brands have managed to create a new set of associations in the consumer’s mind in the form of images. The presence of these images in a consumers’ mind is considered the attractive power of brands. More than just corporate brand images, national images rooted in a country’s value system as a collective enterprise is found in the national brand. National images are important for the state as an international player because this world of images forms a decision-maker’s belief system and informs his decision as an international actor (Holsti, 1962).
Method, Scope, and Limitation

This study is beset with a three-fold challenge in terms of methodology. One, soft power is largely unquantifiable and because brands are similarly framed in the realm of intangibles, its measure is limited in terms of empirical grounding. While quantitative research has carefully designed data collection measures with the researcher knowing well in advance the object of inquiry, qualitative research falls in some estimation within the bounds of soft science, with the design emerging as the study unfolds and the data revealed in terms of words, pictures or objects. Quantitative research tests theory while qualitative research develops theory. However, in large part, qualitative research allows for a more detailed description of phenomena, a richer level of analysis and a finer examination of data. The best measure of soft power is found in polls, opinion surveys and case studies. This study employs a comparative case study method of two Asian countries (i.e. Japan and China) chosen because of the presence of national brands in the former and the absence of a strong brand presence in the latter.

Two, it is recognized that an argument using the system of value, while analytically convenient is empirically impossible to determine whether the values found in the formation of a specific interest has been internalized by the decision makers or introduced only in response to domestic and international pressures (Frankel, 1970). Lastly, national interest is an admittedly unclear concept, similarly elusive and inherently unquantifiable. The problem with intangibility and the lack of empirical data is that
questions can easily fall into structural and methodological problems. Hence, it is necessary to define the variables in the beginning of the study, both conceptually and operationally. Therefore, in some ways the study is limited to making the following theoretical claims: 1) national brands are a reflection of the country’s national image; 2) national brands can help states achieve their national interest of wealth and image creation; and 3) national brands are sources of soft power that can help states achieve desired outcomes internationally.

The major aim of this study is to establish a theoretical framework for brands being a source of soft power for the state. Most literature on marketing or international relations deal with the study of one phenomenon or the other, hardly linking the power of the brand to the power of the state. While this thesis does not exhibit the scope or depth of analysis as the “Irresistible Empire” that is America invaded Europe and populated consumer democracy, it does attempt to answer the micro-questions in the same deliberate manner by framing the argument in the context of soft power (de Grazia, 2005).

This study is limited to the geographical region of Asia. While it is tempting to study the most established economies in the world and make another case for brand America being the most powerful brand in the planet with sources of soft power such as Harvard and Hollywood, the focus of this study is limited to the less-studied geographical region of Asia in terms of soft power. Asia is still one of the world’s biggest producers of
commodity products and thus, an appropriate region of study for the soft power of brands.

Most soft power studies in Asia usually deals with popular culture from *anime* and *manga* to Hello Kitty and the Chinese buffet (Katzenstein, 2005; Belson & Bremner, 2004; Balding, 2006). Similarly, marketing has long studied brand and product images in order to access outcomes in purchasing behavior. But they are not substantially framed in the context of soft power – never quite brought to the realm of international relations. This study posits that national brands with their attractive power can be used by the state to achieve desired outcomes thus yielding more than just economic value for the country in the international system.
Chapter 2. Review of Related Literature

Suppliers and especially manufacturers have market power because they have information about a product or a service that the customer does not and cannot have, and does not need if he can trust the brand. This explains the profitability of brands.

~Peter Drucker

National brands are reflective of corporate brands. This collective value imbedded in the national brands gain states a favorable national image which largely constitutes soft power. This literature review will substantiate conceptually how brands can be a source of such attractive power.

Brand Value

Brands were first used for identification. The word ‘brand’ derives from the Old Norse word *brndr*, which means to burn. Owners of cattle mark their animals as their own and potters identified their pots by a thumbprint into the wet clay at the bottom of the pot with a mark such a wet star, cross or circle (Stobart, 1994). The mark represented proof of origin and recognition for the customer.

For the most part of the 19th century, brands were measured in terms of economic value. Branding enjoys continued survival because it enhances the present value of future cash flows of the company. The economic value comes from the price premium and from
building brand loyalty by using emotional and rational values. These values are considered important because they are exchangeable as cash in the market, affecting the perception of the company and its products (Gilmore, 1997). It is the collective nature of these perceptions, the everyday conventional stories that are continually reinforced by interactions that eventually become truths (Holt, 2004).

There are many elements that make up a brand – images, stories and associations – that are shared collectively by a group and form generally accepted conventions about brands (Roll, 2006). Brands tell stories and form images in the minds and hearts of the consumer. While a brand’s visible face is its packaging and visual identity and its voice spoken through advertising, a brand’s actual personality is something that still exists in the consumer’s mind (Anholt, 2000). Even the logos that are part of brand packaging from ABC, Westinghouse, UPS to IBM have a life. The Nike swoosh, the Mercedes star, the ABC round logo, the IBM logotype, the UPS shield, the Ralph Lauren polo player, and the Coca-Cola dynamic ribbon all have a story to tell and a meaning for our hearts (Gobe, 2002).

It is useful to recognize here that the financial valuation of a brand in terms of equity is driven by brand image. There are three components of brand image: 1) image of the provider of the service or product; 2) image of the user and 3) image of the product itself (Aaker, 1993). In some instances the corporate reputation hardly plays a role in the formation of the brand image and while the product itself reflects the brand image, the
strongest contributor is still perhaps the impression people have on the brands. Thus, the greatest battle for brand warriors is with the mind.

**Corporate Brand**

By the end of the 1940s there was a burgeoning awareness that the brand was more than just a mascot or a picture printed on the product label. Despite perhaps being the largest anti-branding voice, Naomi Klein acknowledges that the company as a whole could have a brand identity or an ephemeral quality that can be called corporate consciousness (Klein, 2000). Her skepticism in fact attests to the true meaning of brands or brand essence by stating that while agency was taken away from the individual product and attribute, there was a movement towards a psychological/anthropological examination of what brands mean to culture and people’s lives. According to Klein (2000), “Corporations may manufacture products, but what consumers buy are brands”. (7)

For a brand to come to life to its consumers, a corporate brand must stand for the relationship an organization has with its employees. Corporate brands should be internally aligning its brand promise through the organization’s culture, structure and reward systems with the employees living the brand values in their day-to-day interactions (Lury, 2004). These brand values that are aligned with the corporate brand also embody the collective desires and anxieties of a nation (Holt, 2004).
Globalization has enabled nations to compete in perception as well as reality. Brand images are deeply entrenched in the collective psyche and have implications for both the nation and the brand. The best and most successful brands can ignore or capitalize on their product origins and their national characteristics. Brands have the ability to compress and express simple, complex and subtle emotions. They can make those emotions immediately accessible, in certain instances overriding mountainous barriers like ethnicity, religion and language. Brands are seen to have an immense emotional content and inspire loyalty beyond reason (Olins, 2003).

Thus, a brand carries both the national characteristics but more importantly, to be discussed further, the national image.

**Country of Origin Effect**

A study on *Country-of-Manufacture Effects for Known Brands* shows that there is congruence between brand origin and country of manufacture. For example, a Sony television is recognized as a product “Made in Japan” (Hui and Zhou, 2003). Decades ago, “Made in Japan” connoted a negative concept based on the consumer perception of Brand Japan as shoddy and cheap. Most Japanese traders in the early 1870’s concluded that their customers in the United States and Europe were interested in cheap merchandise and were in most cases tasteless bargain hunters. The traders made chiefly for export Yokohama *muke* which flooded the markets with jerry-built junk that became synonymous with Japanese products. It was only in 1950, when prominent photographers
like Carl Mydans and Alfred Eisenstadt replaced their German Leicas with Japanese Nikons that the West was able to witness the wonders of Japanese technological skill (Lyons, 1976).

Success of high-profile brands such as Finland and Nokia and Korea held associations with various corporations such as Hyundai, Daewoo, Samsung and LG. In Nokia’s case as a nation-brand, it has transformed itself from a moderately successful domestic producer of rubber boots into one of the world’s most successful high-tech brands. It has managed to create an entirely new set of associations of Brand Finland in many consumers’ minds – no longer just a quaint fairyland perched on the fringe of Europe, this is a country that can do technology, can do marketing, and can become world-beating (Anholt, 2000).

Despite all the praises heaped on the importance of brand and country branding, there are people that would argue that nationality does not affect product categories. For example, most non-Finnish people would think Nokia is a Japanese brand and would not make the country of origin association. Similarly, while computer technology is assumed to come from the United States, it doesn’t really matter to some consumers whether they come from Korea or Taiwan or California for as long as it works. Thus, the nations and the brands derived from it are admittedly unemotional, variable and unpredictable, largely springing from myth, legend, rumor and anecdote. This however, doesn’t mean though that the connection between nation and brand isn’t important (Wally, 2003).
The existence of well-defined national brands of good international reputation gives a country competitive advantage. According to Rothacher (2004), “other things being equal, a country with strong brands across the board will do better in international trade than one which produces faceless commodities”. (p.16)

Country image effect can also help produce better brands. In studies on brand and country compositioning, the effects of producing American brands in Japan and Japanese brands in the United States showed that resulting images were functions of the relative strength of the brand and country images that a country with a better image than the brand will slightly improve the image of the end product (Jaffe & Nebenzahl, 2001). Country image effect was considered as either a halo effect – stereotyped country image that colors brand image, or a summary effect – the average image of the country’s products which, in turn, affects the image of new brands or products coming from the country.

Cultural Branding

While country of origin does matter and affect the brand image, the national brand is more than just the sum total of its national characteristics. Douglas Holt argues that corporate brands that attain the status of cultural icons in consumer society operate at the cultural level. Iconic brands create what he calls myth markets, the opportunities that arise when national ideology mixes with social reality. The brand’s myth grows out of two assets – cultural and political authority. Holt developed the cultural model of brand
equity through a Budweiser example in the 1950s when Bud was crafting a myth that encouraged working men to share in America’s new idyllic life of suburban leisure. Budweiser ads showed men how good times were to be shared with family and friends in leisurely activities (Holt, 2004). Brands in some ways carry a country’s cultural value.

Rothacher (2004) echoes the importance of national business cultures in the formation of corporate identities and brand images by noting that “German and Japanese products stand for engineering prowess, reliable qualities and their business organizations for participative bureaucracies (role cultures). French and Italian products are reputed for their design, flair and creativity, their business organizations are typically power cultures with authoritarian distance and alienated work force”. (p.6)

Just like corporate brands, national brands evoke certain values, qualifications, and emotional triggers in consumer’s minds about the likely values of any product that comes from that country. For instance, America has been, for at least a century, the most powerful brand on the planet. The ways that people all over the world think about, talk about and relate to America are exactly the same ways that people think about, talk about, and relate to great brands.
National Brand

A national brand is a reflection of the corporate brand. It has a collective value system that is part of the corporate brand’s origin and culture. More importantly, a national brand competes on the level of wealth and image.

At the turn of the century and the rise of national advertising and print and media, manufacturers turned towards branded goods. In some ways, the term national brand is a marketing cliché in that the manufacturers were developing and advertising their own products and marketing them to wholesalers and retailers within the channel of distribution (Schutte, 1969).

Today’s global brands were propelled into international heights of recognition by the presence of efficient communication systems that allow manufacturers to distribute their products more easily than the traditional modes of barges or ships. As companies opened up in new markets and geographical locations, they became more aware of the importance of developing a brand name. While the development of national brands in Asia that have global equity is largely more sluggish than its Western counterparts, there is an increasing awareness of the importance of branding and its long-term value.

Over the years, there has been a tremendous shift from manufacturing to branding as more and more companies outsource and move certain areas of their value added chain abroad. Products remain interchangeable, only the feelings attached to brands remain differentiated. These companies abandoned the nuts and bolts of production to
contractors and entrenched themselves closer to the market to the real money (Marti, 2004).

**Wealth Maximization for Corporation**

A trust relationship is found in any brand’s history. A brand is a contract, one which is implicit in nature and which governs the relations between a company and its customers. The relationship is considered two dimensional: economic and emotional (Chevalier & Mazzalovo, 2004).

In a world where more economic value comes from intangible than from tangibles, the trick is not to manufacture products and advertise them, but rather “to buy them and brand them” (Klein, 2004). Companies that once measured their worth strictly in terms of tangibles such as factories, inventory, and cash have realized that a vibrant brand, with its implicit promise of quality, is an equally important asset. A brand has the power to command a premium price among customers and a premium stock price among investors. It can boost earnings and cushion cyclical downturns (Khermouch, 2001).

This *intangible* quality is a more powerful driver than price (Tidd, 2000). Brands are more profitable long-term because they promote consumer loyalty. They form an emotional attachment that is enduring and transcend short-term profitability that is simply captured initially by price differential or product positioning.

Original Brand Manufacturing firms are seen as long-term profit drivers. On the average, the gross margin of Original Equipment Manufacturing products is 19% while
the margin for OBM goods is 27%. However, margins for branded consumer goods can be more than 100% (Wreden, 2004). This long term profitability measure will propel Asian companies to make the movement despite the risk, expense and difficulty involved. Furthermore, brands are economically attractive because people believe that they are worth the extra dime. The large consumer brands may enjoy 15-20 percent greater margins than producers that are not household names (Anholt, 2003).

In a merger, the brand contract is found in the sum of its net assets, in a line called goodwill in the consolidated balance sheet. It is the sum total of the intangible, but extremely valuable, positive attitudes of consumers toward the acquired company and its products (Chevalier & Mazzalovo, 2002). Interbrand, a consulting firm that publishes an annual ranking of 100 of the Most Valuable Global Brands calculates the present value of future profits engendered by brand power alone, through advertising resulting from brand name recognition to be worth $988,287,000,000, nearly a trillion dollars (Roll, 2003). Having well-known and strong export brands accrues to company profits and country’s economic growth. Brands can also help improve the reputation of the industry and the country which makes it (Anholt, 2003).

**Wealth Maximization for Country**

Brands have long been viewed as a carrier of both shareholder and emotional value. The success of Brand Japan is an example of image being powerful to influence perception and generate wealth. The consumer is prepared to pay more money for
functionally identical products, simply because of where they come from. Western consumers will consistently pay more for products manufactured by previously unknown brands, purely because they are perceived to be Japanese. And this kind of worldwide consumer preference is of almost incalculable value to the country’s economy as a whole (Anholt, 2000).

BusinessWeek has adopted Interbrand’s Brand Value calculation by using the same method analyst use in evaluating assets. Interbrand first calculates the brand’s overall sales, projects net earnings for the brand, deducts charge for the cost of earning tangible assets, deduct earnings from other intangibles (e.g. buying gasoline because of convenience in location rather than brand name) and assesses brand strength for future brand earnings using seven factors that include brand market leadership, stability and ability to cross geographic and cultural borders (BusinessWeek, 2003). The following table shows the intangible value of brands as calculated in the Global Brand Scoreboard:
### THE GLOBAL BRAND SCOREBOARD

<table>
<thead>
<tr>
<th>Rank</th>
<th>2003 Brand Value in $ Billions</th>
<th>2002 Brand Value in $ Billions</th>
<th>Percent Change</th>
<th>Country of Ownership</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Coca Cola 70.45</td>
<td>69.64</td>
<td>+1%</td>
<td>U.S.</td>
</tr>
<tr>
<td>2</td>
<td>Microsoft 65.17</td>
<td>64.09</td>
<td>+2%</td>
<td>U.S.</td>
</tr>
<tr>
<td>3</td>
<td>IBM 51.77</td>
<td>51.19</td>
<td>+1%</td>
<td>U.S.</td>
</tr>
<tr>
<td>4</td>
<td>GE 42.34</td>
<td>41.31</td>
<td>+2%</td>
<td>U.S.</td>
</tr>
<tr>
<td>5</td>
<td>Intel 31.11</td>
<td>30.86</td>
<td>+1%</td>
<td>U.S.</td>
</tr>
<tr>
<td>6</td>
<td>Nokia 29.44</td>
<td>29.97</td>
<td>-2%</td>
<td>Finland</td>
</tr>
<tr>
<td>7</td>
<td>Disney 28.04</td>
<td>29.26</td>
<td>-4%</td>
<td>U.S.</td>
</tr>
<tr>
<td>8</td>
<td>McDonalds 24.70</td>
<td>26.38</td>
<td>-6%</td>
<td>U.S.</td>
</tr>
<tr>
<td>9</td>
<td>Marlboro 22.18</td>
<td>24.15</td>
<td>-8%</td>
<td>U.S.</td>
</tr>
<tr>
<td>10</td>
<td>Mercedes 21.37</td>
<td>21.01</td>
<td>+2%</td>
<td>Germany</td>
</tr>
<tr>
<td>11</td>
<td>Toyota 20.78</td>
<td>19.45</td>
<td>+7%</td>
<td>Japan</td>
</tr>
<tr>
<td>12</td>
<td>Hewlett Packard 19.86</td>
<td>16.78</td>
<td>+18%</td>
<td>U.S.</td>
</tr>
<tr>
<td>13</td>
<td>Citibank 18.57</td>
<td>18.07</td>
<td>+3%</td>
<td>U.S.</td>
</tr>
<tr>
<td>14</td>
<td>Ford 17.07</td>
<td>20.40</td>
<td>-16%</td>
<td>U.S.</td>
</tr>
<tr>
<td>15</td>
<td>American Express 16.83</td>
<td>16.29</td>
<td>+3%</td>
<td>U.S.</td>
</tr>
<tr>
<td>16</td>
<td>Gillette 15.98</td>
<td>14.96</td>
<td>+7%</td>
<td>U.S.</td>
</tr>
<tr>
<td>17</td>
<td>Cisco 15.79</td>
<td>16.22</td>
<td>-3%</td>
<td>U.S.</td>
</tr>
<tr>
<td>18</td>
<td>Honda 15.63</td>
<td>15.06</td>
<td>+4%</td>
<td>Japan</td>
</tr>
<tr>
<td>19</td>
<td>BMW 15.11</td>
<td>14.43</td>
<td>+5%</td>
<td>Germany</td>
</tr>
<tr>
<td>20</td>
<td>Sony 13.15</td>
<td>13.90</td>
<td>-5%</td>
<td>Japan</td>
</tr>
</tbody>
</table>

Table 2.1 Global Brand Scoreboard  
*Source: BusinessWeek (2003)*

### Image Creation in the Corporation

Brands, by their attractive nature, become a part of the consumer consciousness as well as the brand origin. “In the mind-share model, brand equity is based on the strength and distinctiveness of brand associations. The brand essence, lodged in the consumer’s
mind, is its source of equity. The more firmly rooted the image, the stronger the brand (Holt, 2004).

Asian businesses are slowly becoming more attentive to the power of brand identity. Asian firms are realizing that instead of competing against razor-thin margins with the next supplier, they can increase returns by investing in their brands and using the power of images to capture consumers and reap larger profits (Roll, 2006).

**Image Creation in the Country**

Businesses are the lifeblood of any country’s economy. Firms have long been valued for its economic contributions to a country’s Gross National Product but never quite evaluated in McGray’s terminology as “Gross National Cool” (McGray, 2002). National cool is McGray’s idea and reminder that a commercial trends and products found in Japanese popular culture can have attractive value.

Brands act as global ambassadors when companies enter new markets or offer new products. Brand powers of persuasion can be used by countries to attract desired outcomes in the international stage. This political purpose of consumer capitalism is exemplified in the rise of branding and chain stores through the peaceful conquest of the American Emporium in Europe (de Grazia, 2005).

If modern day politics is also played on a game of perception, brands are the likely players on the chessboard because they seek entry in global markets and carry the
national image. Since the goal of politics is to influence outcomes in the international system, national images matter. It is recognized that people whose decisions determine the policies and actions of nations do not respond to the objective facts of the situation but rather to their image of the situation (Boulding, 1959). Furthermore, Boulding adds that the images which are important in the international system are those which a nation has of itself and those of other bodies in the system that constitutes the international environment. He has reduced the complexity of images into two types of persons in a nation: the powerful (who are capable of making the actual decisions which leads to war and peace) and the ordinary (masses who are deeply affected by these decisions). It is in this arena of consumer perception that brands are a potent source of soft power. The next section will show how the values found in brands are potential sources of soft power for the country.

**Brands and the National Interest**

Hans Morgenthau believes that all politics is a struggle for power (1967). Power is a widely studied concept in international relations as well as business. Power is used in multiple contexts and carries with it a wide variety of meanings. It is called *li* in Chinese, *chikara* in Japanese and *poder* in Spanish. In sociology, it is the ability to make a person do something and in politics, it is the ability to make another country do something. Power is also measured variably from watts in physics to exponentiation in mathematics.
The various theories leveled on the word “power” dates back from early philosophers such as German philosopher Friedrich Nietzsche whose ideas on will to power show the greater human need to use power to dominate others and make them weaker to more recent philosophers such as Frenchman Michel Foucault whose works on power and knowledge bring light to the traditional notions of “discipline and punish” within institutions and belief systems (Foucault, 1979). For Machiavelli, power characteristically defines political activity, and hence it is necessary for any successful ruler to know how power is to be used. Despite the vast amount of thinking that has gone into the substantiation of this word, at a very basic level, power is the ability to get the desired outcome – it is the capacity to be able to influence the behavior of others. In some ways, the desired outcome of states is the fulfillment of national interest.

National Interest

The early history of national interest is based on survival as well as securing wealth and power. It is usually centered on the welfare of the nation and the preservation of its political doctrine and national lifestyle. Realism, coming from real politik\(^2\) or actual politics focuses on the balance of power among nation-states. Realists are concerned with the calculation of forces and the state as a self-interested, rational actor in pursuit of security. Nations strive to maximize national power to achieve and preserve the national interest (Pfaltzgraff, 1972).

\(^2\) Term used to describe practical rather than idealistic notions of politics.
National interest describes a state’s desired outcomes and is considered the most comprehensive description of the whole value complex of foreign policy and has 3 levels: aspirational, operational and polemical (Frankel, 1970). A state’s aspirational values are rooted in history and ideology, providing purpose and direction and containing some long-term, ideal set of goals that a state would want to realize. The operational objective level contains the sum total of a state’s policies and interests actually pursued, generally short-term and found in capabilities rather than will. The polemical or exploratory level is used to explain or criticize foreign policy and is more useful in prescribing or describing oneself as ‘right’ and the opponent ‘wrong’.

Max Weber earlier noted that interests dominate the actions of men and nations, according to realists, are self interested actors. A nation is a body politic that carries a consciousness of having gone through something together. It is in this sharing of events and experiences that a national image is formed. (Weaver, 1998) This sharing of images and values and collective ideologies are what largely constitutes soft power.

**Faces of Power**

Soft power was first coined by Joseph Nye in the late 1980s when he saw the decline of the United States as a great power from rising costs and diminishing military utility. In his book, *Bound to Lead*, he shows the difference between hard versus soft power (Nye, 1990). Tangible economic and military power is linked to hard power while
soft power is found in the realm of attraction usually in terms of culture (tourism), institutions (education) or information technology (mass media). It is in the context of soft power (culture and language) that Nye argues the United States can sustain its great power status. It is getting others to want the outcomes you want by co-opting people rather than coercing them. Below is a figurative description of Nye’s power continuum.

![Figure 2.1 Theory of Hard versus Soft Power](source: Bound to Lead (Nye, 1990))

Robert Dahl defines power as the ability to do things and control others (Dahl, 1957). This ability to control others has traditionally been associated with the possession of certain resources, mostly economic resources. This is the more familiar concept of power known as hard power. Hard power is the ability to get the outcomes through threats, commands and coercive factors. Soft power, on the other hand, is more attractive in nature and has the ability to shape preferences. Hard power is when a parent threatens to cut off a child’s allowance if his grades don’t improve. There is punishment or a sanction which compels someone to act accordingly. Soft power is when a child willingly studies because he is attracted to the idea of knowledge and learning and wants to do so because it is part of a system of beliefs. Hard and soft power, however, are not mutually
exclusive. They will at one point or another, serve to either reinforce or support each other in shaping policy (Nye, 2004).

**Hard Power**

Hard Power is the usual “carrot and stick” phenomenon where military and economic might are used to influence or coerce nations, individuals or other entities to change positions. The outcomes are generally a result of threats or payoffs or some form of inducement.

In the 16\(^{th}\) and 19\(^{th}\) centuries, land and territorial expansion were the main metrics of a nation’s power. According to Rosecrance (1985), even though states have traded extensively with one another (with and without restrictions) since before the sixteenth century, the theory of international relations has largely proceeded as if trading was unimportant. Boundaries, territory, sovereignty, independence, and military power have remained the key concepts. Nations are ranged in terms of power and territory from the greatest to the weakest with each nation seeking the same territorial objectives and similarly striving to be the leading power in the system.

As capital and labor gained importance during the Industrial Revolution, British machine capital turned out textiles and national resources such as coal, iron and oil were becoming prime commodities. As the *trading state* emerged in the 1970’s and the 1980’s, the state sought international commerce rather than territorial expansion (Rosecrance,
1999). Rosecrance shows the movement in the mid 19th century from a territorial system where states compete for supremacy and recourse to war to a trading system exemplified during the Oil Crisis, an economic and political dispute without military involvement. He argues that it is in this system of reciprocal exchange or interdependence that the incentive to wage war is absent. The use of force is no longer an efficient first step in resolving differences or in shaping outcomes because arms conflict might jeopardize a country’s economic objectives.

While Rosecrance accounts for the power quantified in economic terms, hard power fails to explain why France felt the need to promote its revolutionary ideology in the 17th and 18th century after its defeat in the Franco-Prussian War or why President Roosevelt, concerned about German propaganda in the late 1930s established the Division of Cultural Relations to promote American information and culture in Latin America. Roosevelt’s concern stems from a notion that America’s security depends on its ability to speak to and win the support of people in other countries (Nye, 2004). Trade cannot really account for the political power that comes from attraction – how countries obtain outcomes in world politics because other countries admire its values, ideologies and strive to emulate its example.
Soft Power

The problem is that the 21st century game cannot be played by the 19th century rules (Joffe, 2000). Real hegemonists like Napoleon were out to conquer and subjugate. While guns, steel and commerce still account for a large portion of the power pie, the intangible forces of attraction and seduction are beginning to play into 21st century rhetoric. In the advent of the information age, with the rise of nuclear might and missile defense, the world’s race to become the next superpower has inevitably begun.

The rise for supremacy in the next decade may transcend the commerce of ships and planes and could equally be fought with the bullets of values and ideologies. Robert Cox argues that the most critical feature for a dominant country is the ability to obtain a broad measure of consent on general principles at the same time offering some prospect of satisfaction to the less powerful (Cox, 1987). Cox touches on the peripheral concepts of soft, co-optive power being just as important as hard command power.

Nye (2004) cites the 2003 Iraq war is cited as an example of the interplay of the two forms of power. “America’s military victory in the first Gulf War had helped to produce the Oslo process on Middle East peace, and its 2003 victory in Iraq might have a similar effect. Moreover, states like Syria and Iran might be deterred in their future support of terrorists. These were all hard power reasons to go to war. But another set of motives is related to soft power. The neoconservatives believed that American power could be used to export democracy to Iraq and transform the politics of the Middle East. If successful, the war would become self-legitimizing.” (p.26). In the next century,
Harvard and Hollywood as well as kabuki and sushi, may be just as powerful as the tried and tested methods of weaponry and artillery. While it is easy to measure hard power in quantifiable terms such as military might, economic growth or technological capability, soft power is largely unquantifiable and largely deemed immeasurable.

One of the attempts at numerical quantification of soft power is by Yoshiyuki Sodekawa who created a metric for global influence called Soft Power Index (SPI). He assembled data on the three facets of power for 15 leading countries. The United States came out as the world leader in soft power with Britain, France and Germany, respectively. Japan was ranked six and was behind the United States in the leadership category, 10th in the culture and lifestyle attractive and 11th in the capacity to be emulated (Sodekawa, 2004) He provides three axes of measurement in the table found below:
<table>
<thead>
<tr>
<th>Chosen power (31%)</th>
<th>Leadership (26.6%)</th>
<th>Culture and lifestyle (42.4%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>A. Global Literacy - 23.7%</td>
<td>A. Media – 4%</td>
<td>A. Nature – 16.4%</td>
</tr>
<tr>
<td>9 measurements:</td>
<td>B. Intelligence – 22.6%</td>
<td>B. Culture – 23.1%</td>
</tr>
<tr>
<td>1. Private investments</td>
<td></td>
<td>C. Comfort – 2.9%</td>
</tr>
<tr>
<td>2. GDP per capita</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Average custom duties and tariffs</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Revenue from international tourism</td>
<td></td>
<td></td>
</tr>
<tr>
<td>5. International flights</td>
<td></td>
<td></td>
</tr>
<tr>
<td>6. International summit</td>
<td></td>
<td></td>
</tr>
<tr>
<td>7. Number of Olympics</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8. Total stock market value</td>
<td></td>
<td></td>
</tr>
<tr>
<td>9. Investments</td>
<td></td>
<td></td>
</tr>
<tr>
<td>B. International Dependency - 7.3%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 measurements:</td>
<td></td>
<td></td>
</tr>
<tr>
<td>1. Foreign direct investment (% of FDI compared to domestic investment)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>2. Percentage of dependency on trade compared to GDP</td>
<td></td>
<td></td>
</tr>
<tr>
<td>3. Average duties/tariffs on all products</td>
<td></td>
<td></td>
</tr>
<tr>
<td>4. Patent applications (residents vs. nonresidents)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Table 2.2 Sodekawa’s Soft Power Index (translated)
Source: Center for Global Communications, International University of Japan (2004)

The first axis of “chosen power” which Sodekawa attributes to the sphere of markets, firms and institutions, affects 31% of the overall SPI (with leadership taking 26.6% and culture and lifestyle completing the 42.4% of the overall index). Interestingly, Sodekawa
found out that by correlating chosen power with cultural attractiveness, the stronger the
cultural attractiveness, the higher the chosen power (GLOCOM, 2004).

Soft power can rest on the appeal of one’s ideas or culture or the ability to set the
agenda through standards and institutions that shape the preferences of others. If a state
can make its power legitimate in the eyes of others, it will encounter less resistance to its
wishes. If its culture and ideology are attractive, others will more willingly follow. If it
can establish international norms that are consistent with its society, it will be less likely
to have to change. If it can help support institutions that encourage other states to channel
or limit their activities in ways the dominant state prefer, it may not need as many costly
exercises of coercive or hard power in bargaining situations (Nye, 2004). Krasner echoes
this universalism of a country’s culture and how critical sources of power can be found in
its ability to establish a set of favorable rules and institutions that govern areas of
international activity (Krasner, 1983).

Soft Power grows out of culture, domestic values as well as foreign policies. The
nature of politics is changing. With the rise of new technologies, messages and images
are communicated in real time and more powerfully than before. Whereas, radio, TV and
newspaper were the traditional sources of communication, now we have the Internet and
other wireless devices. The changing landscape of this century brings about a change in
power structures with images and messages transmitted across continents at lightning
speed. Trade is still a powerful commercial influence but along with it comes the power
of consumer perception.
Thus, states can wield soft power through brands to get the desired outcomes that they want. Brands are holders of both economic and ultimately, political value.
Chapter 3. Japan

Japan's first constitution established by Prince Shotoku begins with the declaration: "Harmony is the basic principle to be respected". This spirit is a national and popular ideal which has run throughout Japanese history.

Eisaku Sato, Nobel Peace Prize (1974)

Importance of Values

Before a discussion on national image can progress, it is necessary to understand how a national image is created. A national image is formed through a consciousness of shared events and experiences (Boulding, 1959). The argument for national image and soft power is analyzed using a system of value because soft power is a set of values and practices that create meaning for society (Nye, 2004). This set of values eventually becomes part of the national brand, Japan, Inc.

The succeeding sections detail how Japan’s image in the international system is rooted in its domestic value system - its history, political and corporate environment. This cohesive value system composes Japan, Inc. which contributes to the national image of quality and reliability.
The creation of the national brand, Japan, Inc. starts with a state’s aspirational value of trying to refashion its image from a warlike Japan to a more peace-loving, humble Japan. This historical background begins with the image of an Imperial Japan as part of the Rome-Berlin-Tokyo Axis, signing the Tripartite Treaty on September 27, 1940, which served as a warning for the United States to become neutral or face a war against the formidable three nation pact with Nazi Germany and Fascist Italy. Japan’s military was the strongest in the world during the time of the Meiji era but the invincibility of the military collapsed in the Battle of Iwo Jima in 1945 when the United States raised its flag and Japan lost its footing in the battlefield. Having been defeated in World War II, Japan was deprived of its territory and forced to disarm. The Great Empire then turned its economic energies to post-War reconstruction to rebuild an unbowed Japan.

Richard Rosecrance foretells the rites of Japan’s market entry to Western shores. Japan depends upon open trading and commercial routes to produce entry for the country’s goods. It is not the American model that Japan will ultimately follow. Rather, it seems that the Japanese model is what America may ultimately follow (Rosecrance, 1985). What made Japan an Asian superpower in the late 80’s was more than just its economic wealth. According to McGray (2002), it was the way its “great firms staked a

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3 Aspirational values are based on a nation’s long-term interest rooted in history or ideology, providing purpose or direction to the state (Frankel, 1970)
claim to a collective intellectual high ground” that left even the United States scrambling to “reverse-engineer” Japan’s success. (46)

Japan’s economic dominance in the United States has been widely studied in terms of production management systems, industrial processes and distribution structures. But the key to Japan’s economic ascendance was not simply trade, at least not by Cold War standards; it was method. McGray (2002) notes that method “drove the most dynamic economy in the era, and it was undisputedly Japanese.” (46) There was a consistency that Japanese products and images conveyed from the dazzling lights of the Shibuya district to the Neon billboard atop New York’s Times Square. The message is familiar. Japanese products are known for their quality and production. Japan is seen abroad to have won back parts of the reputation that it had seemingly lost for good during its barbaric conquests in the Pacific war. The contemporary image of Japan overseas is formed in large part by the successes of the nation’s industrialists and traders overseas. The reputation of names such as Toyota, Sony and NEC best symbolizes post-war Japan’s reemergence as an international force (Buckley, 1998). It is thus important to understand how states can wield attractive power and establish legitimacy not simply through a process that stops at a fully defined trading strategy but in softer, more persuasive undertones that explains the rites of brand passage.

For the Japanese, modernization changed the meaning of the nation to an instrument of collective purpose, a country that was united with a single vision and purpose. Here we see a Japan with a collective vision, a fighting spirit that allowed itself
to be reinvented from the ashes of the World War, and a Japan that designed its own method of development to be later looked up to as the Japan Model.

Imperial Japan started with a Potsdam dictum from its emperor over broadcast radio:

“Let the entire nation continue as one family from generation to generation, ever firm in its faith of the imperishableness of its divine land, and mindful of its heavy burden of responsibilities, and the long road before it. Unite your total strength to be devoted to the construction for the future. Cultivate the ways of rectitude, nobility of spirit, and work with resolution so that you may enhance the innate glory of the Imperial State and keep pace with the progress of the world.”

(Emperor Hirohito, 1945)

Herein lies one of Japan’s most avowed cultural values – Wa. In the constitution of Ancient Japan, this value that represents group harmony and mutual cooperation threads the nation to the corporation and eventually the brand. In seeking to rebuild itself as a nation, Japan sees a creation and consolidation of values in the people that the Emperor identified as the maintenance of peace and harmony. Harmony, in the Japanese sense, evokes a language of moving forward, forging ahead – an integrative, systematic answer with a brisk, business-like approach that propels the individual and collective spirit to yell, Gambare!^{4}

This systematic harmony that Japan promoted in the West as a soft value can be dealt with in broad, cultural overtones. However, as shown in the previous chapters, soft power is not entirely devoid of hard power origins. Soft power cannot stand alone and be measured apart from hard power. They are rather, complementary and continuously serve

^{4} “Do your best!” or “Keep Going!”
to reinforce each other. Just as Japanese national brands developed and were exported abroad, the industrial structure and economic might that was evolving domestically served as engines that carried the global brand ambassadors to American soil. Thus, in order to understand how Japanese brands are potential sources of soft power, it is necessary to situate the argument in the context of hard power, during the years when Japan was in a race to catch up with the rest of the Industrial World and strives to solidify itself as a global superpower.

Japan is probably the most studied Asian country in the West after WWII with hundreds of books written about the country lauding its superiority in terms of processing, transplant operations, marketing and manufacturing processes. Manufacturing, similar to the force that drive today’s age of globalization and outsourcing, is what propels countries to gain economic power and leverage. This is not to be ignored.

However, it is equally important to analyze the synergy of relationships as well as the values that govern these institutions which lead to the creation of the national image. The values that the government champions, such as those arguably inherent in Japanese national brands carry the powers of persuasion and could potentially shape and influence preferences of the international players. In politics as in business, it is a contest of competitive credibility. If Japanese brands are hypothesized to fulfill a state’s national interest of image creation, it is necessary to answer the question, “Under what conditions have Japanese brands gained a favorable image in the United States? To what extent is
Japan, Inc. credible enough to obtain desired outcomes for the state?” In order to answer the question in non-economic terms, it is important to take a step back and see the continuity of the aspirational values found in history to be similarly present in the Japanese political system.

In the succeeding sections, a discussion and exploration of the value system of systematic harmony will be threaded across economic and political lines until it becomes an exportable value system inherent in Japan’s corporate brands.

**Political Values: The State and the Market**

Japan’s historical value of *Wa* is similarly echoed in its political environment as evidenced in its coordination and collective interest formation. Japan’s economy is a mixed form of free market capitalism and strong state intervention. The Japanese state is a powerful force in determining national attitudes. It is strategically positioned both structurally and functionally to define the meaning of a nation and be an instrument of collective purpose. The era of Japan’s catching up phase during the 1960s to the 70s was considered a time in Japanese history where the state and market objectives were so closely aligned that the industrial machine was rolling on parallel tracks towards a common destination.

The branches of the bureaucracy concerned with the economy all play a role in providing guidance to the burgeoning private sector. As Okimoto correctly observes, the
relational, societal or networked state that is Japan cannot be examined in Manichean
terms with a government controlling private interests single-handedly and a private sector
that seeks to impose its will on the rest of society. To understand Japanese business-
government relations in this light is to do injustice to the complexity and subtlety that
belies an equally strong state and private enterprise. The business-government
relationship is seen as pulling in tandem to achieve common rather than adversarial goals
(Okimoto, 1989). The strength and uniqueness that gives rise to political values are
derived from the convergence of these two sectors as they try to achieve a common goal
in the pursuit of a greater national interest.

Japan’s economic success is often attributed to the role of influential ministries
that play a visible hand in centralized government planning such as the Ministry of
Economy, Trade and Industry⁵, Ministry of Finance and Fair Trade Commission and
organizations that form policy networks within Japanese society. METI has played an
important role in gathering and processing information, coordinating and allocating
government resources vis-à-vis the private sector and, promoting collective national
interests. It has in some ways, served as an intermediary between domestic and
international interests. Since the time frame analysis is within Japan’s catching up phase
where industrial policy played a central role, it is posited that the role of government
institutions and their relationship with firms are best analyzed within the context of
Japan’s industrial policy.

⁵ Before METI was renamed in 2001, it used to be MITI (Ministry of International Trade and Industry)
While it can be argued that the goal of Japan’s industrial policy is largely economic in value, by way of security to augment the country’s scarcity of resources, it cannot be denied that these policies contributed to Japanese companies gaining worldwide reputation for effective coordination. METI best exemplifies this business-government relation. The value of Wa is seen in the collective purpose that underlies the working of institutions like METI that have raised productivity, enhanced international competitiveness, allowed for efficient outcomes as it played its role in the decades of industrial catch-up. Coordination and collective interests further substantiate the role of consistency in Japan’s system of value which is found and packaged in what will eventually become the national brand. Japan, Inc. becomes a source of soft power by contributing to the national image and eventually obtaining outcomes for the state.

Effective Coordination

The way that METI and the industries are structured allows for various points of entry in directing market outcomes from inter-corporate stockholding, close banking and business ties, subsidiary and subcontracting networks and industrial associations such as specialized trading companies. Nakane calls centralized coordination the frame society where METI officials develop extended public networks with private industry actors, linking the private and the public sector and keeping societal forces in check (Nakane, 1970). She notes that Japanese values are oriented towards achieving the common good
of the group and since the nation is the epitome of collectivity, the authority of the state carries a tremendous influence that can be greater than the powers vested in the constitution.

METI can influence outcomes through tax incentives, R&D allocation, restriction of foreign imports and subsidies. For example, during the catch-up phase starting with the ‘60s, foreign governments alarmed with the rise of consumer demand, pressured Japan to bring down the walls of infant industry protection. METI took a lead in pushing for structural rationalism in a number of key industries like steel and automobiles to encourage mergers (e.g. Fuji and Yatawa to form Nippon Steel) in order to enhance competitiveness in domestic industries and compete against large, foreign producers. Another example of government direction is cited in a 1989 report by the Economic Planning Agency (EPA) which showed that typical consumer goods were an average of 40 percent higher in Tokyo than in New York. The items that were far more expensive in Japan were all subject to government regulation (Ishihara, 1991). While METI does provide a broad range of access points by which to influence market outcomes, it more practically serves a hand in administrative guidance, intervening in terms of long-term vision and re-aligning sectoral priorities, with a procedure still largely built on government consensus.

The Economic Planning Agency, established in 1955 provides indicative planning for the entire economy when economic priorities shifted from recovery to inflation control. The agency’s original staff includes bureaucrats drawn from METI and the
Finance Ministry whose multiyear plans provide flexible guidelines for priorities in terms of foreign exchange, financing and technology transfer. While METI does not manage the economy directly, it provides targets reflecting long-term trends by making necessary specifications for a balanced national development. It serves as a point of communication in coordinating estimates of future growth made by government branches and the business community (Vogel, 1979). METI also acts as facilitator when METI and MOF exchange information. MOF administers tax measures and METI expenditures.

METI’s organization into vertical and horizontal units lessens cost in Japan by decreasing interest aggregation and giving rise to lesser transaction cost. The way the Japanese industries have self-contained specialization also simplifies METI-industry interactions. As METI tries to form broad policy consensus, having an old boy system with unspoken norms and rules is a distinct advantage because it allows for easier discussion and greater leeway in pursuing national goals and collective interests.

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6 Ministry of Finance
### Table 3.1  METI's vertical and horizontal integration in Electronics

Source: Okimoto, 1989

<table>
<thead>
<tr>
<th>Horizontal bureaus</th>
<th>Vertical bureau</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Industrial Policy</strong>: Minister’s Secretariat;</td>
<td>Machinery and information Bureau:</td>
</tr>
<tr>
<td>Industrial Policy Bureau</td>
<td>(industrial electronics, consumer electronics, data processing, aircraft,</td>
</tr>
<tr>
<td></td>
<td>automobiles, industrial machinery, cast and wrought products, space, etc.)</td>
</tr>
<tr>
<td><strong>Natural resources and energy policy</strong>:</td>
<td></td>
</tr>
<tr>
<td>Agency of Natural Resources and Energy</td>
<td></td>
</tr>
<tr>
<td><strong>Small-business policy</strong>: Agency for Small and Medium-Sized Enterprise</td>
<td></td>
</tr>
<tr>
<td><strong>Patents</strong>: Patent Office</td>
<td></td>
</tr>
<tr>
<td><strong>Government Industrial Technology</strong>: Agency of Industry and Development</td>
<td></td>
</tr>
</tbody>
</table>

Aside from the central power exerted by the ministries, Japan is also known for its keiretsu, a loose affiliation of pre-war conglomerates then known as zaibatsu. These groups were already visible during the Meiji Restoration and were disbanded in 1946 when the Anti-Monopoly Law was passed but was reassembled in the mid 1950s. While it is acknowledged that this is not as simplistic in actual practice, these extra-market institutions can allow METI to bend and shape the market without having to go through the LDP and the parliament. The effectiveness of Japanese industrial policy cannot be understood with reference to METI and the private sector alone. Okimoto acknowledges the presence of what Katzenstein calls policy networks or informal networks in the intermediate zone that explores the maze of connections linking the private and the public sector together (Katzenstein, 1977; Okimoto, 1989).
The *amakudari* or the practice of public officials leaving the bureaucracy to secure high-level posts in the private industry has exemplified a powerful reinforcement of the structure of ties that links the private and the public sector. In certain cases, METI ends up sending retired public officials to lucrative sectors such as technology that is considered central to the Japanese economy. While *amakudari* can be seen as an argument for expanding METI’s power and influence by breeding structural corruption, its influence should not be exaggerated. Its main function continues to be the consolidation of the structure of business-government relations. It is quite remarkable that in actual study the myth of Japanese high-handed government intervention is in fact not *dirigiste* but rather moderate in approach.

**Collective National Interest**

During the reconstruction years, the Japanese government concentrated on research expenditure in areas where there is a high probability of a substantial return for Japanese companies. The goal of the government’s own research institutes is not to increase governmental control over these areas but to make research available to companies that can best use them to enhance the competitiveness of the economy or the industrial sector as a whole.

Chalmers Johnson as quoted in Wray, argues that Meiji Japan shifted away from state entrepreneurship to collaboration with privately owned enterprises by favoring industries that were capable of adopting new technologies along with those committed to
the national goals of economic development and military strength (Wray, 1983). In this discussion of Japan’s value system, the national interest of wealth creation comes to fore. This is a Japan that wants to be an economic force in the international system.

Japan’s political and economic interactions is interesting in that its state intervention is in a broad way regulated despite a structure that offers a network of access points freely open to shape market forces when necessary. Instead, Japan’s market economy and organizational structure is driven by business-government consensus, government led-coordination and selective intervention. This perfect blend of harmonious interests stems from a Japan that holds national interests on a pedestal, elevating the interests of producer groups over the individual.

In market selection, governments and companies work as partners in industry direction and support mobilization of a targeted industry. METI plays a role in this industrial policy process at work when it becomes an issue of resource allocation. There is a market entry strategy called the samurai tactic of *injuring the corners* which is a continuous policy that constitutes looking out for differences and finding them, then exploiting these differences (Herbig, 1995). It is sometimes referred to as striking the corners and when the corners have fallen, one should follow up the attack. This strategy is continuously played out in such industries as automobiles and consumer electronics. Japanese goods enter the market without attacking the leader head-on but rather entering at low price and moving up the value chain. The companies ask trading companies who are more knowledgeable of the foreign market overseas to market on their behalf. The
product distinction for Japanese goods eventually becomes high quality and excellent service. This strategy is an example of how the Japanese way of thinking is largely always strategic, almost systematic in its approach to international markets.

These unique business practices, supportive government policies and cultural traits largely surround the market and state environment during the development of Japan, Inc. In order to understand how soft power is at work in the attractive image of Japan, Inc. internationally, it is necessary to first explore the foundations of that attractive power in Japan’s cohesive value system domestically. The value of harmony is already found in both historical and political contexts. Next, it is necessary to examine the corporate values that create corporate brands such as Sony and Toyota. These global brands eventually reflected what comprises the national brand of Japan, Inc.

**Corporate Values**

Japanese corporate branding system is derived from *Wa* which is an important aspect of Japanese culture that as shown above focuses on achieving market share, consumers tending to rely on names of good reputation and corporations launching brands under a single corporate brand system (Aaker, 1993).

There is a common saying in Japanese that goes, *deru kugi wa utareru*. It means the nail that sticks out will be pounded down. In a corporation as in the nation, the value of *Wa* – good personal relations, ownership of the corporation and teamwork find their way into the business institutions that later churn out products carrying the brand label.
These Confucian values of commitment, obedience and harmony greatly influenced the Japanese work environment and bring about internal unity and teamwork found in most Japanese firms.

In Japanese society, it is typically viewed that the real education begins outside the classroom. It is when the student has graduated from the university that the lifelong learning begins. When an employee enters the corporation, it becomes part of his life. This is evident in the Japanese regard for market share, the existence of lifetime employment and management principle of Kaizen or continuous improvement.

First, Japanese generally value a long-term vision that place importance on market share rather than quick profits. The samurai strategy found in the earlier section dates back to the traditions of Ancient Japan when prestige was attributed to the person who had more land or more people hired as retainers. This was more valuable than the money that most merchants coveted. Firms enter at a low price and then build up their market position.

Secondly, the concept of lifetime employment is tied up to market share in that the employment becomes a fixed asset so that the only way to increase productivity is to increase volume when employee’s salaries are tied up to their length of service rather than skill. Furthermore, what motivates employees is not a monetary contract but a feeling of belongingness. It is a tacit agreement to cooperate interdependently. Employees feel that they belong to the community and have a sense of solidarity when they work in the same team or company. This cooperative spirit manifests itself in their
work behavior and partly explains why customer service and product quality are part and parcel of Japanese marketing.

Lastly, Kaizen is a concept in Japanese management that means continuous improvement. The cooperative culture that permeates Japanese corporations is inseparable from the Kaizen program. It is the feeling of participation, of involvement in everyday corporate life and decision-making that makes up the gambare attitude in corporate life a living entity. All the management concepts that are embodied in Kaizen boil down to two words, “customer satisfaction” (Imai, 1986). To the Japanese, a customer’s performance expectation of a product relates not simply to the quality of the functional aspects of a product but also to a kind of emotional and aesthetic satisfaction (Johansson & Nonaka, 1996). It is in this state of mind - this mental and emotional pull - that a brand can exert its powers of persuasion.

**Corporate Brands**

In the succeeding discussions on two Japanese corporate brands (chosen from the top global brands), the next discussion will show how brands in the consumer electronics and automotive industries, as exemplified by Sony and Toyota, have successfully packaged the national and corporate identity of systematic harmony evident in the nation and the corporation. The Japanese method of TQC (Total Quality Control) and TPS (Total Production System) comprises the system of values that forms part of Japan, Inc.
Japan Inc. is a collective value system composed of corporate brands like Sony and Toyota. This national brand was able to contribute to the national image of quality and reliability which is attractive for Japan. This attractive national image associated with Japan is in part already, the fulfillment of the Japanese national interest.

Sony is used as a case study because while other Japanese companies founded in the early postwar years have flourished, there is no other Japanese company that has managed to achieve Sony’s global status. In 1998, according to Harris poll, Sony overtook Coca-Cola and General Electric to become the brand name best known and most highly esteemed by the American consumer (Nathan, 1999). Similarly, Toyota has achieved the same claim to fame since the publication of The Machine that Changed the World, where the Toyota Production System became the standard reference for many American firms (Womack and Jones, 1996).

Sony Corporation highly priced customer satisfaction and Total Quality Control (TQC) in the same way that Toyota gave rise to lean production and Total Production System (TPS) have come to be equated with a certain standard in the U.S. Market. These systems that have largely been equated with the brand value of their previous taglines: Sony’s “It’s a Sony” and Toyota’s “Moving Forward”. As Japan was refashioning its image abroad, it was simultaneously fulfilling its national interest of being an economic superpower. These global brands are seen to have increasing market share in the United States during this period of study.
These top global, corporate brands are largely responsible for the image of Japan, Inc. internationally. They have arguably established a favorable image for Japan in the form of credibility and recognition. How did Sony and Toyota give rise to some measure of credibility? This thesis has argued that it originated from the value of Wa inherent in the historical, political and corporate environment where the corporate brands formed the collective value system of Japan, Inc.

By extension of soft power observation, it is in fact no longer merely perception and images that ground the argument of ‘favorable image’ empirically. Brands are credible sources of soft power for states by more than just fulfilling Japan’s interest of wealth and image creation. In addition, American corporations have admired and consequently adopted what largely comprises Japan, Inc – TQC and TPS. Going back to soft power literature, Nye earlier noted that if states can appear legitimate in the eyes of others and make its culture, values or ideology attractive, others will more willingly follow. This chapter validates that Japan, Inc. contributing to the national image was able to do just that.

The next sections will continue the process of validating the hypothesis that Japanese corporate brands (Sony and Toyota) forms the collective value system of Japan, Inc. It will further illustrate how Japan, Inc. contributes to Japan’s favorable national image abroad and national wealth in terms of market share.
Sony Corporation

Sony Corporation started to rise as a postwar social organism (Nathan, 1999). The country’s dearth of natural resources brought about by the devastation of the war reached escalating import levels (i.e. 99 percent of all its crude oil, cotton and wool, and iron ore.)\(^7\) The concept of *Wa* or systematic harmony that has largely influenced Japanese culture found itself growing in this company that began marshalling all its efforts to what amounted to a national campaign. This resource-poor country that was struggling to get back on its feet, physically and psychologically battered by the war, would soon rise in what is hailed as the economic miracle of Japan, Inc.

After the war, the people had damaged radios and shortwave units damaged by the military police. Masaru Ibuka, one of the Sony founders, repaired radios and found himself in a mix of electronics and engineering. At that time Ibuka had idealistic objectives but no clear concrete idea of what he wanted to make. He realized early on that the Sony vision had to be product driven. Ibuka started with the basic concept that he had to do something that no other company had done before. As a testament to his innovation, one of his first developments was an electric rice cooker since he believed that while there was a shortage of fuel, there was some electricity.

Co-founder of Sony, Akio Morita shared the same strategic vision. In one of his travels in around the world, after being discouraged in finding that the American market

\(^7\) Lyons, 1976
was technologically advanced, he went to Holland to visit Philips. He stared at the statue of Dr. Philips, was reminded of his own village of Kosugaya and thought that if a man born in such a small, agricultural country could build a huge, technical company that was known worldwide, “Maybe I could do the same with Japan.” Morita (1986) wrote to his partner, Ibuka and said, “If Philips can do it, maybe we can, too.” (67)

Among the unique traits that Japanese companies have are their competence, method as well as ownership of the company. Japanese executives look at themselves as owners of the company and not just employees. The way the companies are structured in the country with long-term employment guarantees and heavy emphasis on communication and lower-level involvement allows for a deeper understanding of long-term brand value. Brand reality is a concept that comes naturally to the Japanese corporation (Hirano and Johansson, 1998). Generally, Japanese employees work hard to live the organization’s identity as their own core values and care just as passionately in developing the brand name. These are the same values that are inherent in Japan’s corporate culture that is seen to be carried over in the Sony philosophy.

Even the naming of the brand took meticulous care. The founders wanted a name that could be recognized anywhere in the world and that could be pronounced in any language if it was to remain true to its objective of being a global brand. Morita (1986) wrote in Made in Japan that the name Sony was derived from the Latin word, Sonus, meaning ‘sound’ and the initial brand name was “Sonny” except English slangs were becoming popular and the romanticism of the word “Sonny” which was pronounced
“sohn-nee” meant to lose money. Bad name to start off a product launch. One day, they decided to drop the ‘n’ and thus, “Sony” the name that did not mean anything in any language, was born. (70)

In its first thirty years of operation, the company pioneered and successfully introduced new electronic appliances from tape recorders to transistor with an enviable reputation for “quality.” Excellence remains a central requirement at all Sony plants. One prominent placard had this slogan in English: “Quality comes from a design and it must be built into products in the processes.” People still sometimes speak of the “myth of Sony” (Lyons, 1976). This soft value of quality and excellence is what makes Sony confident enough to wear the label “It’s a Sony” is evident in Customer Satisfaction ratings. Sony is a leader in CS activity (Litt, 1992). As previously discussed, the Japanese way of thinking about customer satisfaction relates closely to quality and are talked about in industry circles in the words of quality control, zero defects and total quality control or TQC. In Johansson and Nonaka’s view, it is the treatment of the customer as kamisama or God that has helped the Japanese achieve internationally high levels of customer satisfaction. Japan’s high CS scores derive from a total view of the Japanese company vis-à-vis its customers. These scores are not a reward simply from satisfying products and services, but from all interactions and moments of truth with the customer. Thus, it is this truth or trust exhibited by the Sony brand that gives rise to the credibility of a Japanese company. It is from this perspective that one can understand how Sony could possibly be synonymous to “Made in Japan” and eventually give rise to
the consumer perception of “Quality”. This process of showing the development of the national brand is to illustrate how Japan, Inc. contributes to the national image of Japan which is later perceived to have quality and reliability.

**Toyota Corporation**

The tale of Toyota is *weaved* in same value system that aligns itself with the same historical, political and corporate values. Toyota’s origins started in the form of a textile company named Toyoda Shoten around 1895 in Nagoya opened by Sakichi Toyoda, the known inventor of Japan’s first automatic loom (Toyota Motor Corporation, 1988). When he passed away in October 30, 1930, his son Kiichiro Toyoda, a mechanical engineer, took over the shop floor.

Sakichi passed away but his convictions are still part of the basic tenets for the management of every concern affiliated with Toyota. On the topmost of list of “Toyoda Precepts” speaks of the value of *Wa* in these words: *Be contributive to the development and welfare of the country by working together, regardless of position, in faithfully fulfilling your duties* (Toyota Motor Corporation, 1988). This is the same value system that permeates the gamut of national interest – unity, efficiency and harmony.

Toyota was the first company to implement what is known as just-in-time (JIT) manufacturing practices which characterizes the entire Toyota production system with the following features: (1) the JIT production system, which provides only the necessary
products, at the necessary time, in the necessary quantity, and (2) Toyota’s respect-for-human system of encouraging employee participation, eliminating wasteful movement by workers, protecting workers’ safety, and empowering workers with greater responsibility and authority in the workplace (Nakamura, 1999).

Toyota is a company that is largely studied in terms of transplant operations in the quest for finding answers to the challenge posed by Japanese firms the once dominant U.S. manufacturing industry. In a study that applied recent econometric advances to the vehicle choices of American consumers revealed that the U.S. automaker’s loss in market share during the past decade can be explained almost entirely by the difference in the basic attributes that measure the quality and value of their vehicles and the foreign automakers’ vehicles (Train & Winston, 2004). The erosion of market share from the 70s until the year 2000 is laid out in the tables below. The tables below show how Japan, Inc. was able to generate wealth abroad. In Table 1, Japan has an increasing market share in the United States from 1970s to the late 1980s. Similarly, the corporate brand Toyota has steadily increased in market share within the same time period.
Table 3.2 U.S. AND FOREIGN AUTOMAKERS’ MARKET SHARE OF VEHICLE SALES IN THE UNITED STATES

<table>
<thead>
<tr>
<th>Year</th>
<th>US</th>
<th>Japan</th>
<th>Europe</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market Share of Cars (percent)</strong></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1970</td>
<td>86</td>
<td>3</td>
<td>8</td>
</tr>
<tr>
<td>1975</td>
<td>82</td>
<td>9</td>
<td>7</td>
</tr>
<tr>
<td>1980</td>
<td>74</td>
<td>20</td>
<td>6</td>
</tr>
<tr>
<td>1985</td>
<td>75</td>
<td>20</td>
<td>5</td>
</tr>
<tr>
<td>1990</td>
<td>67</td>
<td>30</td>
<td>5</td>
</tr>
<tr>
<td>1995</td>
<td>61</td>
<td>31</td>
<td>5</td>
</tr>
<tr>
<td>2001</td>
<td>51</td>
<td>38</td>
<td>11</td>
</tr>
</tbody>
</table>

| **Market Share of Light Trucks (percent)** *** |     |       |        |
| 1970 | 91  | 4     | 4      |
| 1975 | 93  | 6     | 1      |
| 1980 | 87  | 11    | 2      |
| 1985 | 81  | 18    | 0      |
| 1990 | 84  | 16    | 0      |
| 1995 | 87  | 13    | 0      |
| 2001 | 77  | 21    | 1      |

| **Market Share of Cars and Light Trucks (percent)** |     |       |        |
| 1970 | 87  | 4     | 7      |
| 1975 | 85  | 8     | 6      |
| 1980 | 77  | 18    | 6      |
| 1985 | 77  | 19    | 4      |
| 1990 | 72  | 24    | 3      |
| 1995 | 72  | 23    | 3      |
| 2001 | 64  | 27    | 6      |

* Shares generally do not sum to 100 because of rounding, the omission of Korean manufacturers, and reports that Automotive News does not assign to any manufacturer or country of origin.

*** Light trucks include SUVs, minivans, and pickups weighing over 6000 pounds.

From a consumer’s perspective, foreign automakers have developed a reputation for building high-quality products. Consumer Reports and J.D. Power Report, which are measures of quality and reliability have given their highest ratings in the past few decades to foreign manufacturers rather than American manufacturers (Train & Winston, 2004). This perception of Japanese corporate brands speak to Japan, Inc.’s favorable image in the same way that increases in market share of Japanese corporate brands abroad shows how Japan, Inc was able to fulfill the national interest of wealth creation. Changes in the market share since the 1970s could therefore partly reflect the relative attributes of
domestic and foreign producer’s vehicles. This study on consumer perspective acknowledges that brand loyalty is inextricably related to developing, maintaining and protecting market share. A significant fraction of GM’s loss in the market share during the 1980s could be explained by the stronger brand loyalty that American consumers developed toward Japanese producers’ vehicles compared with the loyalty that they had for American producers’ vehicles (Mannering and Winston, 1991).

The tale of Toyota rise as a corporate brand and its impact in the Western world has been widely studied in terms of production and management systems. Its credibility lies in great part with its system, its method of production and how there is unity in its manufacturing process. In Kiichiro’s words, Toyota is an organization conducive to coordinated control. Toyota the company is likened to Toyota the product. It is an automobile made up of several thousand parts. If even one of these parts is missing, a complete automobile cannot be built. Unless there is complete control, it is impossible to make a single automobile, even though there may be parts in abundance. A large scale business such as this can be controlled only by making it simple as possible (Toyota Motor Corporation, 1988). Today, Toyota has re-branded itself with the tagline, “What a feeling.” It is a mantra for the brand, a mission statement for the employees and a philosophy for the company, a way to drive the whole corporation. The Feeling has become a brand property for Toyota an invisible benefit that adds value beyond what is tangible about the product alone. Little wonder that Oh what a feeling is valued as an asset worth tens of millions on Toyota’s balance sheet” (Aitchison, 2002).
Japan, Inc.

Japan, Inc. as a national brand generates wealth and a favorable image for Japan in the international system. The development of the corporate brands, Sony and Toyota in Japan shows the consistency of the value inherent in history, in politics and in the corporation. The companies may have distinctive brand equities but they are both stamped with the same system of value that comprises Japan, Inc. It is this systematic harmony, this cohesive Japanese value of *Wa*, a collective unity that is largely unquantifiable that comprises the national brand, Japan, Inc and contributes to the national image of Japan in the international community.

In some ways, Japan’s exportable system of value was able to gain a favorable image for the country when it reached U.S. shores. Japan, Inc.’s value system of TPS and TPQ contributed to Japan’s national image which is later perceived to have quality and reliability. For example in this study conducted by the Japan Management Association Research Institute in measuring national image as a brand attribute, 20,000 consumers were asked to rate the overall quality of manufactured goods. Japan ranks the highest with 38.5 in terms of national image. National image is described in this study as a historical image extending through time, backward into a mythological past and forward into an imagined future (JMAR, 1993). In Table 3.5, an international consumer survey reveals that Sony is the most popular brand in terms of reliability in consumer electronics.
Quality

Table 3.4 National Image as a Brand Attribute

<table>
<thead>
<tr>
<th>Overall Quality Leaders</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Japan</td>
<td>38.5</td>
</tr>
<tr>
<td>Germany</td>
<td>36.0</td>
</tr>
<tr>
<td>U.S.A.</td>
<td>34.3</td>
</tr>
<tr>
<td>Britain</td>
<td>21.9</td>
</tr>
<tr>
<td>France</td>
<td>20.6</td>
</tr>
<tr>
<td>Canada</td>
<td>18.3</td>
</tr>
<tr>
<td>Italy</td>
<td>16.0</td>
</tr>
<tr>
<td>Spain</td>
<td>10.3</td>
</tr>
<tr>
<td>China</td>
<td>9.3</td>
</tr>
<tr>
<td>Taiwan</td>
<td>9.0</td>
</tr>
<tr>
<td>Mexico</td>
<td>6.2</td>
</tr>
<tr>
<td>Russia</td>
<td>5.8</td>
</tr>
</tbody>
</table>

Source:
The Importance of National Image in the Global Marketplace
A Partnership of JMA Research Institute Inc. (JMAR) & The Gallup Organization (1993)

Reliability

Stewart-Allen BrandBarometer
Table 3.5 National Image as a Brand Attribute

<table>
<thead>
<tr>
<th>Respondents Most Reliable Brands</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Demographic</td>
<td>Most Favorite Brand</td>
</tr>
<tr>
<td>Male</td>
<td>Sony</td>
</tr>
<tr>
<td>Female</td>
<td>Sony</td>
</tr>
<tr>
<td>Ages 18-29</td>
<td>Sony</td>
</tr>
<tr>
<td>Ages 30-44</td>
<td>Sony</td>
</tr>
<tr>
<td>Ages 45-64</td>
<td>Sony</td>
</tr>
</tbody>
</table>

Source: Global Market Institute, Inc. (GMI, 2006)
The next table shows the yearly growth at five-year intervals from 1945-2000 with Japan consistently being one of the highest. Between 1955-1960, Japanese growth rates were two percentage points above the second fastest growing economy and in 1960-65, having an average yearly growth with four percentage points higher than France (Pak, 2004). In general, Japan has for three decades had real economic growth - 10% average in the 1960s, a 5% average in the 1970s, and a 4% average in the 1980s (CIA Factbook, 2006).

<table>
<thead>
<tr>
<th>Yearly</th>
<th>5 yr average</th>
</tr>
</thead>
<tbody>
<tr>
<td>1945</td>
<td>-50</td>
</tr>
<tr>
<td>1950</td>
<td>10.3</td>
</tr>
<tr>
<td>1955</td>
<td>8.6</td>
</tr>
<tr>
<td>1960</td>
<td>13.13</td>
</tr>
<tr>
<td>1965</td>
<td>5.63</td>
</tr>
<tr>
<td>1970</td>
<td>24.43</td>
</tr>
<tr>
<td>1975</td>
<td>2.84</td>
</tr>
<tr>
<td>1980</td>
<td>2.89</td>
</tr>
<tr>
<td>1985</td>
<td>4.45</td>
</tr>
<tr>
<td>1990</td>
<td>5.04</td>
</tr>
<tr>
<td>1995</td>
<td>1.42</td>
</tr>
<tr>
<td>2000</td>
<td>0.46</td>
</tr>
</tbody>
</table>

Table 3.6 Japan’s GDP Growth
Source: Pak, 2004

This first empirical chapter details the development of Japanese corporate brands and explores how a country’s value system is packaged in these brands. This cohesive value system embedded in the corporate brands (e.g. Sony and Toyota) is what comprises the national brand, Japan, Inc. The national brand contributes to the national image. This national image can be the country’s bargaining chip in the international system.
Japan, Inc contributes to the national image of Japan which is perceived to be quality and reliability abroad. Furthermore, it was able to gain significant market share abroad. The national brand Japan, Inc., holding a collective system of value, was able to achieve the country’s national interest of generating wealth and creating a favorable image for Japan in the international community. In the process of developing the national brand, this analysis through a system of value has shown how Japan Inc. has achieved economic and political objectives for the state.
Chapter 4. China

When did the Chinese people stand up in the world? It was in 1949.
In years to come, once we have achieved modernization, the
Chinese people won’t be merely standing up. We’ll be flying up!”

Deng Xiaoping (1974)

National Struggle for Value

It is harder to argue the formation of China, Inc. from a value system because the
Chinese system is hybrid and its systemic orientation is yet to be fully defined with its
cohabitation of communism and capitalism. China has largely struggled to refashion its
image from a Communist China to a modern China and until the present have never quite
succeeded. Secondly, the national goals evident in China’s 5-year plans have been largely
economic. In Deng Xiaoping’s speech in 1989 he notes the importance of economic
goals:

“We have already accomplished our first goal, doubling the GNP.
We plan to take twelve years to attain our second goal of again doubling
the GNP. In the next fifty years we hope to reach the level of a moderately
developed nation. A 2 to 2.9 percent annual growth rate is sufficient.
This is our strategic goal...The future policy should still be an integration
of a planned economy and a market economy”

Source: Beijing Domestic Television Service (1989)
Even in China’s recent blueprint for 2020, the national goal is to transform the society into *xiaokang* or giving the people a comfortable life. China’s goals are somehow always measurable in tangible terms. For example, the present China plans to quadruple the size of its 2000 GDP in 20 years, making China the third world’s largest economy, earning a GDP per capita of US$3,000 (Choo, 2003). Interestingly, China is achieving its national interest goals of wealth maximization through soft power channels. China is banking on economic success on two major international events: 2008 Summer Olympic Games and Shanghai World Expo in 2010. The Olympics is the grandest brand building enterprise. As foreign and local brand sponsorships seek to be a part of the international debacle, the games will also seek to capture the imagination and perception of the world. This is will be the ultimate soft power at play. Thus, China recognizes the importance of a national image and its role in the international system.

In order to understand the formation of this national image, it is again important to take a historical look at the Chinese consciousness of shared events and analyze the values inherent in the Chinese nation, its political system and its corporation. Historically, while Japan values peace, China is seen to value modernization. On one hand, Japan values a collective effort, a singular national purpose. Perhaps Japan had a different value system because it had more national pride, enjoying a long history of being mostly the conqueror rather than the conquered. China on the other hand, is still trying to come to terms with its feudal past and always struggling in some ways to
redefine itself and play ‘catch-up’ with the rest of the world. A brief examination of the China’s historical struggle for recognition can validate the possibility of this perspective.

Zhong Guo is the Mandarin word for China meaning “Middle Kingdom” with the Chinese seeing themselves as the center of the universe, as a privileged and superior people (Chen, 2001). China is one of the world’s oldest civilizations and carries with it a long history of a feudal past and an Imperial legacy. It is noted that the Chinese Empire is much like the Roman Empire with its profound influence on its surrounding nations from Japan to Korea and an advanced civilization that even under foreign occupation during the Mongol and Manchu period, ensured that foreign conquerors adopted their Chinese ways. “The bar is set at restoring the country’s position as a – if not the – leading civilization, one that is envied and emulated by other nations” (Shenkar, 2005).

China has bouts with foreign humiliation and domestic rife from the unequal treaties and territorial rights such as Japan’s puppet regime in Manchuria from 1932 to the end of WWII, its arguably disastrous Great Leap Forward in the 1960s (a Maoist ideology that pushed production back to the countryside eventually leading to mass starvation), Cultural Revolution in 1966 to the Tiananmen Massacre in 1989 (led by protesters who were dissatisfied with the economic reform and political liberalization of Deng Xiaoping). The creation of a revolutionary China was in need of a commanding identity.

In some ways, the Chinese struggle for a sense of national identity has largely been a result of its desire to recapture a glorious past. This search of some ideal dignity
has crisscrossed various literatures that attempt to capture the heart of nationalistic discourse. Fuyukama calls this catching-up mentality as China’s “struggle for recognition” while Fitzgerald terms this rational pursuit of self-interest in seeking legitimacy as “ressentiment”, grounded on personal indignation in its struggle for individual dignity and human rights (Fitzgerald, 2003).

There is a need for the state to recognize the inherent dignity of individuals and grant the people of China the right to democracy and a free society (Jingseng, 1997). Thus, historically we do see a China that has a quest for dignity, a desire to be recognized not just as an economic power but as a nation that is worthy of respect in the international stage. This is a China whose national interest is to create a favorable image for itself. If Japan was able to influence perception and gain a favorable image abroad through Japan, Inc., was China able to do the same?

To answer the question on the formation of national image, the same analysis that was applied to Japan on the synergy of relationships as well as the values that govern these institutions, leading to the creation of the national image will be explored. Given the lack of Chinese corporate brands that form the national brand of China, Inc. what is the national image of China in the United States? Similarly, to what extent has China, Inc. been credible enough to obtain outcomes for the state? This next section will explore the economic and political environment of China and determine whether it has an exportable value system inherent in their brands.
Lack of Political Value: The State and the Market

China’s open-door policy in 1978 ushered an era of economic reform and development. After Mao’s death in 1976, Deng Xiaoping sought a modernization program that revitalized China’s industries, agriculture as well as national defense, favoring economy over politics. Deng employed the open-door policy of economic reform. His new economic interdependence approach was captured in his UN address and 1987 declaration: “In order to achieve genuine political independence, a country must lift itself out of poverty. It should not erect barriers to cut itself off from the world (Goodman and Segal, 1997). Here is another affirmation of China’s national interest in establishing itself as a credible economic player internationally.

China’s entrance into the WTO opened the economy to foreign investment and led to the entry of foreign brands, ease of technology transfer, acquisition of marketing expertise and knowledge and subsequently, the development of corporate brands. China’s growth in the world economy is as inevitable as it is indisputable. The Chinese economy continues to increase in absolute terms with levels 10 times that of Japan, accounting for one-sixth of global expansion (Lardy, 2003). Today, China has a $150 billion global current account surplus and a whopping 202 billion bilateral trade surplus with the United States (Federal News Service, 2006).

China’s tremendous market and labor supply, the unprecedented rise of a new middle class and a thirst for things new and modern makes China a totally different
player with a different set of bargaining chips as an international player. While it is tempting to extricate the same value game as Japan and argue that Chinese brands carry some sort of national and political value in an analysis of its state and markets, it is harder to validate a coordinated strategy in China’s case. This is because China is not likely to follow the Japan model. The next sections will seek to validate this claim.

State Protectionism vs. Effective Coordination

While Japan has effective coordination that speaks to its close business-government relationship, the Chinese value of playing catch-up technologically with the rest of the world shows firm activity that is still in large part, revolving around the central control of the government. The Chinese government wants at least 50 Chinese firms in the Fortune 500 list of the world’s largest companies by 2010. The state’s role in the development of national brands can be deemed largely protectionist and in some ways, heavy-handed.

On the positive side, the government has policies in place that support national brand development. In 2004, the government launched a brand building campaign encouraging Chinese managers to build leading global brands. The Brands Promotion Committee was formed to help companies move towards that goal (Farah, 2006). This committee is organized by the State Bureau of Quality and Technological Supervision to raise the quality of Chinese brands through a series of evaluations and render them
internationally competitive. While the state arguably does promote the development of national brands with policies that are geared towards the cultivation of competition, government hand in market affairs can also have adverse counter effects.

In comparison, Japan could be argued as having the same state upper-hand in its business affairs. However, the main difference lies in the reason for state intervention. Japan wanted to protect its infant industries and export wholly processed goods that carried the value of Japan, Inc. China, on the other hand, shows a government protectionism that is in a hurry to catch-up and in the process, attempt short-cuts to creativity. Chinese strength is currently in manufacturing, in producing 70% of the world’s toys, 60% of its bicycles, half of its shoes, one-third of its television sets and air conditioners, and half of its microwave ovens (Tucker, 2006). While it can be argued that government funding has fostered the creation of corporate brands, these brands have more likely shielded themselves behind government protectionism rather than use the government support to innovate. One of the ways that the government exerts its legislative power is in terms of funding support and ability to decide which companies to grow. Haier, one of China’s largest national brands, eventually became the world’s second-largest producer of refrigerators handpicked by the government to lead the transition with a revenue base of $8.5 billion (Pocha, 2004). This once bankrupt Qingdao Refrigerator plant is partly owned by the local government of Qingdao.

Another example of government intervention and protectionism is when Volkswagen found a cheaper replica of its proprietary parts in Chery automobile, a
domestic rival which is partly owned by General Motor’s big Chinese JV partner, Shanghai Auto. In the Shanghai Auto show in 2003, GM was shocked that a $9,000 small family van was being priced by its exact double at $6,000 (Fishman, 2005). The Chinese government ruled this case of technology transfer through back channels from a foreign company to domestic ones in favor of the local Chinese company.

While state protectionism in some ways has helped Japan cultivate its infant industries and grow its national brand, China’s state protectionism further pushes China to compete on price rather than value. Due to vicious price wars in China’s commodity brands, the entire television industry is under state-mandated life support with production capacity pegged at 150% of consumer demand in value terms at current market prices (Doctoroff, 2005). The TV industry is seen as an ideal point of entry for Chinese manufacturers because of lower cost structure, rapid growth in the domestic market and scale advantages. This leverage of a lower unit cost afforded Chinese TV producers is evidenced by the doubling of China’s share in the U.S. electronics market after a decade of having initially only 10% in 1992 (Shenkar, 2005).

Success of Chinese goods in the US market is still mainly cost-driven. They compete on one important thing—price. This further reinforces the importance China places on economic value rather than attractive value. That is why China is a harder case to argue using the same value system as Japan because it does not contain an exportable value that translates to an attractive national image that can eventually be packaged like China, Inc. However, this is not to dismiss entirely the possibility of China having an
exportable value system that accrues and translates to an attractive national image. In fact one can argue that Japan initially started competing on price before it became a trusted brand that assured consumers of quality and reliability.

**Price and National Interest**

As established earlier, China’s primary national interest is economic. In comparison to Japan’s samurai strategy in entering international markets with government and businesses working together to fulfill the national interest, China is playing the game by a different set of rules.

The marketing success of China was never paralleled with that of Japan or Korea or any of its East Asian neighbors. In fact, the China story is vastly different primarily because of its market size, labor supply and manufacturing capabilities. This huge resource capacity attracts a huge inflow of foreign direct investment and technology transfer, factors that when found in abundance is likely to tip the balance of power towards imitation rather than innovation. China is starting to give rise to a counterfeit nation.

Local brands are clones of their international counterparts and compete on the basis of price. The DVD story is about the China price. When Jiang Wanmeng formed a company to support the development of a new chip that could digitize motion pictures, the Chinese government was quick to back up the new national VCR industry that it
believed would be able to leapfrog with digital home video over a world that was still largely fascinated by analog video. The Chinese players added technology that could read multiple digital formats and could play disks from all over the world.

Before Chinese DVD’s flooded the U.S. market, there was already a back channel of distributors which forged a market on eBay with brands such as Sampo, Malata, Conia and RJ Tech. China’s excess in DVD players materialized in Asian and American neighborhoods that wanted to watch foreign films or copy rented DVDs to videotape. Even when European regulators restricted the sale of Chinese-made DVD’s, Chinese manufacturers have already built large surplus inventories and government was alarmed when costs have sunk so low that 17 out of 20 Chinese machines made had plummeted the price to a single dollar. Chinese made DVD’s can now cost around $100 for what was originally probably 15 or 30 times the price (Fishman, 2005).

In December 2003, the Chinese government announced the creation of a new standard called EVD or enhanced versatile disk, designed to replace the standard DVD in its capacity to handle both high definition audio and video. If the Chinese makers back up this new standard, it could be China and no longer Sony calling the shots for the next thing in home video entertainment. The China price creates an environment that is not conducive to the creation of a national image and that is perhaps largely the reason why China could not as easily get out of the consumer perception of borrowing Wal-Mart’s rallying cry, “low, low prices.” Ironically, what we see is a government that supports the
industry but rather than fostering a value, pushing Chinese goods to compete even more on price and economics.

The China and Walmart mutually beneficial partnership is worth exploring as well. The rise of Chinese unbranded goods penetrating the U.S. market can be best exemplified by the rise of what Shenkar calls the Nation of Wal-Mart. He notes that the world’s largest retailer accounts for more than 10% of imports from China ($12 billion worth of Chinese goods), making Wal-Mart the largest buyer of Chinese goods in America, an even bigger importer of Made-in-China products than actual countries like Canada, the France or the United Kingdom (Shenkar, 2005).

![Imports from China (2002)](chart)

*Source: UN COMTRADE, Business Week (October 6, 2003)*

Wal-Mart has also revolutionized its merchandising by developing its own store brands by taking full advantage of Chinese low-cost and unbranded goods and competing
with U.S. national brands (Irwin & Clark, 2006). The dominance of Chinese unbranded goods on American retail shelves reinforces the symbiotic relationship between the American market and the Chinese production machine. Walmart as well as other discount retailers such as Target, Best Buy and Circuit City have latched on to the low prices and opened their shelves to unbranded goods. They were able to take advantage of the lower cost goods by revolutionizing the merchandizing process and developing their own store brands.

The Chinese lack of a coherent value system is in some ways a reason why China, Inc. as a national brand is represented in various literatures as the copycat, the counterfeit nation or the imitator. While China has cultivated some dominant corporate brands such as Haier in refrigerators, TCL in appliance or Lenovo in PC’s and significantly achieved global awareness, they haven’t still achieved a real China, Inc. Currently, Chinese brands are still price and not image-driven.

**Corporate Piggy-Backing**

China’s lack of a strong value system is contrasted to Japan’s corporate culture emphasizing market share rather than profits, lifetime employment, kaizen leading to a national brand known for its quality control and production systems. While Japan emphasizes market share, China is geared towards profits. Japan employs a strategic “samurai strategy” in its market entry; China hides behind an acquisition or piggy-
backing strategy. In order to compare the two case studies, China’s top 2 corporate brands globally will be cited as examples.

Table 4.1 CHINA’S TOP BRANDS

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>INDUSTRY</th>
</tr>
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<tbody>
<tr>
<td>Haier</td>
<td>Electronics</td>
</tr>
<tr>
<td>Lenovo</td>
<td>Computers</td>
</tr>
<tr>
<td>China Mobile</td>
<td>Cellular Phones</td>
</tr>
<tr>
<td>Tsingtao Brewery</td>
<td>Brewing</td>
</tr>
<tr>
<td>Ping An</td>
<td>Financial</td>
</tr>
<tr>
<td>Bank of China</td>
<td>Banking</td>
</tr>
<tr>
<td>CCTV</td>
<td>Television</td>
</tr>
<tr>
<td>Air China</td>
<td>Airlines</td>
</tr>
<tr>
<td>Huawei</td>
<td>Telecommunications</td>
</tr>
<tr>
<td>Sohu.com</td>
<td>Internet</td>
</tr>
</tbody>
</table>

*Source: The Globalist, 2005*
Haier

Until around 20 years ago, most companies were state-owned. There were no national companies, only local. The Haier Corporation was founded in 1984 and originally only produced household refrigerators. Currently, it has a list of various products from freezers, air conditioners, laundry products, dishwashers, small appliances, electronics and televisions. It attracted U.S. attention in summer of 2005 when it placed a $1.3 billion bid for Maytag Corporation, a bid that was never finalized. Haier personalized the mini-refrigerator by targeting American college students, becoming the first Chinese company to set up manufacturing facilities in the United States. It now controls 45% share of compact refrigerators sold in the United States (Doctoroff, 2005).

Despite Haier being a recognized brand globally, it does not carry the same export value as Japan in part because of its branding strategy. China’s branding strategy is more piggy-backing rather than strategic or systematic. Haier, like most Chinese companies going global, is an example of a corporate brand that has penetrated foreign markets through joint-ventures with established brands like Sanyo, Fujitsu, Hitachi, Samsung. This Chinese corporate brand latches on to the credibility and sophistication of established brands.

As part of Haier’s deliberate strategy to gain global awareness, the company has started sponsoring the Australian basketball team now called the Melbourne Haier Tigers. This is an example of a China that grows its brands domestically but fails to imbed its own distinct image and identity within the brand. In fact, Zhang Ruimin, the CEO of
Haier Group deliberately undertook a strategy of acquiring household names in America as part of the Haier’s strategy of leaving its “Chinese-ness” behind in its market expansion. His goal is seen to be positioned as local, attempting to avoid unflattering perceptions of brands of Chinese origin (Interbrand, 2005). This acquisition strategy of hiding behind bigger and more established names resonate with the earlier discussion of China’s national and political struggle for recognition inherent in its value system or lack thereof. This lack of cohesiveness is somehow reflected in the development of their national brand.

More than just market entry, distribution also reflects this piggy-backing or hiding strategy. In the United States, Haier products are carried by Wal-Mart, Lowe’s, Best Buy, Home Depot, Office Depot, Target, Sam’s Club, Fortunoff, Menards, and Bed Bath and Beyond with around 62 distributors and 30,000 outlets around the world. The ties with these retail brands are said to boost their brand image (Interbrand, 2005). Both are examples of China acquiring foreign identities in their market strategy and failing to have a strictly defined corporate culture that reflects their national identity.

Lenovo

Legend has changed its brand name to Lenovo in 2003. “Le” means honor and “novo” new, a name that is made to represent innovation as the core of the company. It can be noted in reference to the previous chapter that while Sony was named specifically
not to reflect any identity by fashioning a name that did not mean anything in any language, Lenovo was deliberately crafting a name to reinforce its core company value. Again, we see an unsure China, Inc., struggling and seeking for some coherent value to reflect its image.

The same piggy-backing strategy is found in Lenovo when it leveraged 5 years of continued use of the IBM logo to migrate to a new positioning, building on IBM’s established brand values. Lenovo acquired IBM’s personal computing division for $1.25 billion in May 2005 and came to dominate the PC market in China and gained 7.1% in world market share compared with Dell’s 18.9% and Hewlett-Packard’s 15.4% (Interbrand, 2005).

The lack of a defined value system that can be packaged and exported in Chinese corporate brands has led in some ways to the formation of China, Inc. as a more powerful reflection of Chinese unbranded goods without a strong national brand.

**Evolving China, Inc.**

These unbranded goods without a coherent value system comprise China, Inc. It forms part of China’s national image and serves as a bargaining leverage in the international system. Findings from Anholt’s National Brand Index reveal the following perceptions of China:
1) China comes last in the US government panel ranking, perhaps partly because of the American population’s dislike of communism;

2) Chinese exports are ranked rather low in the majority of the panelists (While there is a growing respect for Chinese products in America, 6th in terms of exports and 16th as an overall country brand, it remains rather low in other country’s estimation - Chinese exports are ranked 14th by Italians, 16th by Poles, 13th by Russians, 11th by Danes and 12th by the Spanish); and

3) Chinese brands, although ranked rather low by the majority of our panelists, may well rise quickly in people’s esteem as quality, presentation and distribution increase – exactly as Japanese brands did between the 1950s and the present day (Anholt, 2005).

In a paper that examines current perception issues from the best global brands to the impact of leading Chinese brands, a survey with 243 respondents were conducted to figure out their current impressions of Chinese brands (Interbrand, 2005). The tabled ranking and summary conclusions are found below:
Table 4.2
Top Ten Responses on Impressions of Chinese Brands

<table>
<thead>
<tr>
<th>Ranking of Response</th>
<th>Attribute</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Cheap</td>
</tr>
<tr>
<td>2</td>
<td>Poor value</td>
</tr>
<tr>
<td>3</td>
<td>Poor quality</td>
</tr>
<tr>
<td>4</td>
<td>Unreliable</td>
</tr>
<tr>
<td>5</td>
<td>Unsophisticated</td>
</tr>
<tr>
<td>6</td>
<td>Innovative</td>
</tr>
<tr>
<td>7</td>
<td>Lack of track record</td>
</tr>
<tr>
<td>8</td>
<td>Dated/old</td>
</tr>
<tr>
<td>9</td>
<td>Largely unknown</td>
</tr>
<tr>
<td>10</td>
<td>Aggressive</td>
</tr>
</tbody>
</table>

*Source: Interbrand, 2005*

The findings were the following: 1) Majority of the respondents (79%) believe that the “Made in China” label hurts Chinese brands; 2) Chinese brands still suffer from negative perceptions and perhaps negative realities with the top 3 attributes to Chinese brands being cheap, poor value and poor quality; 3) Attributes of prestige, trust and safety are not yet associated with Chinese brands with brands still competing on tangible dimensions such as price; and 4) Chinese brands still lack awareness and credibility.
In contrast to Japan’s cohesive value system, China lacks a coordinated system of value evidenced in its historical struggle, its corporate piggy-backing strategy and its lack of branded goods. This chapter argues that China does not have an exportable value that comprises a China, Inc. In fact, Chinese goods are largely still competing on price and perceived as low quality and cheap. In sum, China, Inc. as a contributor to China’s national image is still evolving, still embodying current perceptions ‘cheapness’ and ‘low quality’.

While the national brand, China, Inc. was able to achieve the country’s national interest in generating wealth, it has failed in creating favorable image for China in the international community. China is still on the road to brand building, lacking the attractive value needed to create a favorable national image creation. Thus, China still lacks the attractive value, the soft power needed to obtain desired outcomes for the state. While brands were able to achieve economic interests for the state, China is still learning to use its brands to obtain political objectives.
Chapter 5. Conclusion

In sum, this thesis has shown how soft power generated from brands can fulfill a state’s desired outcomes. States can use brands as a source of soft power in the fulfillment of their national interest of wealth and favorable image creation. More specifically, in employing a comparative case study analysis of two Asian countries (i.e. Japan and China), this thesis has argued for the importance of a value system as a theoretical grounding for the creation of a national image and subsequently, a source of soft power. Since soft power is always understood in a particular context, brands were analyzed using a value system by process tracing the development of a national brand from the domestic to the international level.

The thesis has validated the hypothesis that corporate brands are more than just economic goods; they can also have political value by fulfilling the state’s desired outcomes. Japan exhibited a cohesive value system from the national to the corporate level. This played a role in the formation of the national brand - Japan, Inc. Japan, Inc.’s Total Quality Control (TQS) and Total Production System (TPS) contributed to Japan’s national image of quality and reliability.

China, Inc. by contrast is still fashioning its image into a competitive and credible player globally. The comparative case study has shown a national brand that is still largely composed of unbranded goods and hence perceived as still cheap and of low quality. While the importance and value of an image for the state in relation to the
international system is hard to prove and quantify, it does exist in the form of soft power. This intangible quality that forms a favorable national image for states in some ways becomes a bargaining chip for a nation.

A summary of the findings is found below.

<table>
<thead>
<tr>
<th>COUNTRIES</th>
<th>JAPAN</th>
<th>CHINA</th>
</tr>
</thead>
<tbody>
<tr>
<td>VALUE SYSTEM</td>
<td>Wa or Harmony</td>
<td>Hybrid: (communist and capitalist), Struggle for recognition</td>
</tr>
<tr>
<td>NATIONAL VALUE</td>
<td>Reconstruction after WWII/rise of the trading state</td>
<td>Modernization/Movement towards a market economy</td>
</tr>
<tr>
<td>POLITICAL VALUE</td>
<td>Coordination and Collective Interest</td>
<td>Protectionism and Price</td>
</tr>
<tr>
<td>CORPORATE VALUE</td>
<td>Samurai Strategy</td>
<td>Piggy-backing Strategy</td>
</tr>
<tr>
<td>BRAND</td>
<td>Brands (Sony and Toyota)</td>
<td>Unbranded/rise of brands (Lenovo and Haier)</td>
</tr>
<tr>
<td>POWER</td>
<td>Hard and Soft</td>
<td>Hard</td>
</tr>
<tr>
<td>OUTCOME/FULFILLMENT OF NATIONAL INTEREST</td>
<td>National Wealth and Favorable Image (quality and reliability)</td>
<td>National Wealth, Evolving Image</td>
</tr>
</tbody>
</table>

Table 5.1 SUMMARY OF FINDINGS

By extension of soft power implications, a favorable national image can gain some form of credibility for states. Credibility is considered a crucial government resource in the political arena. Governments consider this a valued resource when politics is viewed as a contest of competitive credibility. While reputation has always mattered in world politics, credibility packs a greater form of soft power.
Limitation

This thesis which is mainly theoretical and unquantifiable by nature is largely an empirical challenge. Some would argue that attraction or imitation is not power and would not necessarily produce a linear desired outcome. Moreover, the coverage of the two case studies is limited in terms of both scope and resources, and hence it was important to specify the conditions under which attraction could lead to outcomes. This thesis does demonstrate however, how attractive power can allow states to get their outcomes – that there is soft power in brands.

With the rise of globalization in the 21st century and the advent of outsourcing and global supply chains, brand association with country of origin becomes a contested topic. The image of a national brand is highly theoretical and does not argue for a definitive country of origin effect. Instead what it does show is that Japan, Inc. is more than just Sony=Japan. Japan, Inc. is a collective value system that forms the national image of Japan to the United States. While images and perceptions are admittedly limited in terms of empirical grounding, they provide acceptable measures for the existence of soft power. Furthermore, practical politicians usually define power in terms of possession of resources or capabilities and largely dismiss the importance of the attractive quality that comes from political values, culture and policies. While it is true that hard power is more definable and usually easier to study and quantify, soft power does have an intangible
value for the state. The ability to attract usually leads to acquiescence. In Nye’s words, it uses a different type of currency to engender cooperation (Nye, 2004).

The use of soft power is not of immediate quantifiable value; like brands it is stored up as future capital and goodwill. It is the indirect effects of attraction and credibility that makes a difference in outcomes during bargaining situations for states. Japan for instance has some soft power influence internationally with its admired East Asian economic model as shown its rise in GDP growth and its capitalization on the uniqueness of the Japanese culture earlier termed as McGray’s Gross National Cool.

**Implications and Further Research**

Branding has long been associated with a corporation and its products and services. Today it is also being used to shape a country’s image. Governments are concerned with their reputation as markets and foreign policies compete in the international arena. In some ways, a nation’s image already exists in the mind of the consumer.

Governments began crafting country-strategies to build a positive image that would turn this attractive value to more revenues for the country. They have resorted to lobbying and public relations firms to represent their interests in the international community. A nation seeks to differentiate itself positively in the minds of decision makers, and brands are seen as one of the sources that can assist a nation in the
fulfillment of its international objectives. As in any brand-building campaign it is necessary to discover and channel a country’s resources effectively. This thesis suggests that brands are considered to be one of the likely resources that can help create an attractive and favorable image for the country.

On a broader scale this thesis has argued for the importance of brands as a source of soft power. While there is literature on the importance of soft power in general, it would be interesting to see if further research could quantify this importance. The study could use further research in substantiating the linkages between national image and wealth generation for the state. It would be interesting to know how national brands have specifically and empirically contributed to wealth creation. Studies can be conducted on how favorable country images facilitate trade negotiations, create incentives and greater investments flows that in turn stimulate the economy and generate wealth for the state.

Furthermore, while this thesis can be placed on a highly theoretical level with limited capacity for measurement in outcome, it simply argues the case of brands as one source of soft power for the state. Further studies can analyze other sources of soft power for states and their immediate policy implications. In terms of diplomatic outcomes, an analysis of how a positive image of a country can help facilitate Free Trade Agreements negotiations for a country through preferential treatment.

Lastly, the thesis was limited to suggesting that a favorable national image can be a bargaining chip for states in the international system. It would be interesting to explore
to what extent images generated from brands actually create a change in the behavior of states as players in the international system.

Brands wield in some form or measure, public diplomacy for states. Public diplomacy is more than just public relations. While selling a positive public image is part of it, it is also about building long-term relations and creating an environment that is conducive for government policies. In the same way that brands are deeply entrenched in the consumer psyche, the national image contains some form of collective memory and value system. Thus, it is in the attractive nature of this national image that soft power is at play.
Bibliography


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