

BRAND CHINA (淡色中国)

By Joshua Cooper Ramo

February 2007

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First published in 2007 by
The Foreign Policy Centre
Suite 14, 2nd Floor
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UNITED KINGDOM

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ISBN-13: 978-1-905833-07-8
ISBN-10: 1-905833-07-5

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Acknowledgements

I am grateful for the assistance of a number of people with this report. They include Andrew Small, Thomas Rafferty, Sam Vincent, Omaha Schlumberger, Diane Fisher, Feng Zhang, Stephen Twigg and Alex Bigham. The Foreign Policy Centre would also like to thank Hill & Knowlton for their support of this project.

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Introduction

Letters to a Queen, Peaceful Earthquake and other Misadventures in Nation Branding

By the time he was named Commissioner of Canton in 1838, Lin Zexu (1785-1850) had already enjoyed a spectacular career, the sort of bureaucratic rise that in many countries and in many eras has elevated brilliant men to positions of power and influence. Born and raised amid the mountains and gentle tea culture of coastal Fujian, Lin had the sort of plastic and curious mind that fitted the demands of late-Qing imperial court politics. He was blessed with a brilliant memory, a willingness to throw himself into the very hardest problems of government and a fingertip feel for court politics. And Lin was effective: His colleagues called him “Clear Sky”, a nickname that hinted at his ability to clear clouds from the murkiest of bureaucratic squalls. He was an accomplished poet – the sort of Chinese “renaissance man” common in the Qing-era, a time when emperors like Kangxi found strength and legitimacy in a love of beauty and justice. (Traces of this model of governance remain: Current Foreign Minister Li Zhaoxing, for instance, writes poetry; People’s Bank of China Governor Zhou Xiaochuan is an opera fan.) Wen Jiabao, speaking at his first press conference as Premier in 2003, mentioned old Lin by way of introducing himself to the Chinese people. “Ever since I took office,” he said, “I have been whispering two lines of Lin Zexu to myself: ‘I would do whatever it takes to serve my country, even at the cost of my own life and regardless of misfortune to myself.’”¹ The message was clear: for Chinese officials there should be no boundary between personal and political life.

In the spring of 1838 the 53-year old Lin received an urgent summons to Beijing. He was wanted on imperial business at the highest level. Dao Guang, who ruled China from 1820 to 1850, was determined to eliminate the trade in opium. In the half-century since the drug had arrived in China on British trading ships, it had strangled the intellectual and cultural life of the Qing dynasty. As if watching his empire rot around him wasn’t enough, Dao Guang had seen the drug kill one of his sons and seduce through greed or

¹ Wen Jiabao press conference transcript March 18, 2003

addiction many of the country's most powerful minds. He was determined to wipe it out and determined that "Clear Sky" was the man for the job. Lin, with his imperial orders in hand, quickly travelled down to Canton, the port where foreign ships exchanged their Indian-grown opium for black and green tea destined respectively for Europe and the United States. After a few months of research and careful planning, Lin began his anti-drug campaign by publishing a broadside that remains, historically at least, probably the most important thing he ever wrote: *A Letter of Advice to Queen Victoria*.

The arrogance of the title in Western eyes – "Who would dare *advise* Queen Victoria?" British traders asked at the time – masks an impressive and carefully reasoned piece of writing. Lin's *Letter of Advice*, which appeared on the walls of Canton on September 29th, 1839, offered a short summary of the state of opium trading as he saw it and asks the Queen to try to control a trade that is destroying China. "Suppose there were people from another country who carried opium for sale to England and seduced your people into buying and smoking it," he writes in a typical passage. "Certainly your honourable ruler would deeply hate it and be bitterly aroused."² Though early 19th century China still considered itself the centre of the world, Lin's letter hardly radiates the arrogance of such worldview. Lin comes off as neither nationalist nor isolationist. Rather, he appears to be a man who has thought through the problem of stopping opium flow, decided on the policy of, among other things, stifling opium traders, and now wishes to explain it as clearly as possible – and even to kindly suggest ways for England to become what 21st century scholars might have called a *more responsible player in the international system*. "We have further learned that in London, the capital of your honourable rule, and in Scotland, Ireland, and other places, originally no opium has been produced," he writes, laying a gentle hand on the English empire's hypocrisy, before suggesting that the British turn to producing less destructive crops such as millet and barley.

² Lin Zexu, "Letter of Advice to Queen Victoria," in From Ssuyu Teng and John Fairbank, *China's Response to the West*, (Cambridge MA: Harvard University Press, 1954), repr. in Mark A. Kishlansky, ed., *Sources of World History, Volume II*, (New York: HarperCollins CollegePublishers, 1995), pp. 266-69

No one knows if Queen Victoria actually saw Lin Zexu's letter³. In any event, she did not take his advice. Months later, British warships steamed up the river near Canton and began the Opium War and more than a century of internal Chinese chaos. Between the first shots from the *Royal Saxon* on November 3, 1839 and the founding of the People's Republic on October 1, 1949, China was invaded by nine different nations; it was stripped of anything resembling an effective central government and shattered by internal conflicts. Tens of millions of Chinese died. Everything that has happened since the Opium War, including some of the most prominent elements of the last three decades of reform and development, has some intellectual and emotional root in that defeat. China's obsession with technology, its relentless drive to global integration, its focus on supporting international law, all share some connection with the national experience that began with Lin Zexu's letter.

The traditional reading of the "lesson" of the Opium War by Chinese is that their nation needs to be strong and, crucially, open to other nations' technology and ideas. "Ships, guns and a water force are absolutely indispensable," Lin himself wrote to the Emperor in 1842. But there was something else afoot at the start of the Opium Wars. Lin's letter, read carefully and with a sense of context, can be seen as a signal of a horrifying historical fault line: China's image of herself and the rest of the world's image of her had ruptured like tectonic plates. To men like Lin, writing at the tail end of 2,000 years of imperial rule, evidence of China's power was everywhere around them, it had become as comfortable as the Commissioner's silks Lin slipped into each morning. Unfortunately, the country was truly as strong as silk. China's image of herself and the world's image of China had become disharmonious (*bu hexie*). Madness was inevitable (*bu kebian*).

In the late spring of 2004, across from the same coastline where Lin Zexu had first published his *Letter of Advice*, several dozen Chinese

³ One British diplomatic historian who served as Ambassador to China told me he thought it was unlikely Queen Victoria had seen it.

and international scholars gathered to refine a new message to the outside world. Meeting together in Bo'ao, a resort town on Hainan Island in the South China Sea, the purpose of the meeting was to discuss a new concept advanced by Zheng Bijian, a Chinese intellectual known for his connections with Chinese President Hu Jintao. Zheng had been Executive Vice President of the Chinese Communist Party Central Party School when President Hu served as its head. And though his Chinese rivals carped among themselves about exactly how close Zheng was to Hu, Zheng's intellectual pedigree stretched back to the late 1970s when he had been part of a group of scholars who had travelled to the West at Deng Xiaoping's request. Zheng then went on to work for reform-minded Chinese Premier Hu Yaobang, the capacity in which he says he first met Hu Jintao, then a rising star. For most of the 1980s and 1990s, Zheng developed a career as a sort of intellectual ambassador for Chinese leaders. His new theory, which he called "The Peaceful Rise of China," was a latter-day version of Lin's *Letter of Advice*: a message for the world that was reasonable, logical and relatively free of any taint of historical anger or arrogance.

"Peaceful Rise," was a response to a school of thought among some Western scholars and policy makers known as "China Threat Theory," (*zhoungguo wexie lilun*), which suggested that China's emergence at the start of the 21st century resembled nothing so much as Germany's bristling, angry rise at the start of the 20th century. China, this line of thinking went, was a nation that was simultaneously humiliated and arrogant, a country that would spare no effort in restoring what future Bush administration official Paul Wolfowitz called "its place in the sun" in a sharply written 1997 essay.⁴ The implication was that conflict, even war, between China and the U.S. was inevitable. The gathering of scholars in Hainan on that spring day in 2004 was part of a carefully planned series of events to test, strengthen and market what Zheng considered the best hope to counter that bias, his idea of China's Peaceful Rise (*heping jueqi*).

⁴ Wolfowitz, Paul "Bridging Centuries – The Fin De Siècle All Over Again" Spring 1997 page 7 and "Remembering the future", *The National Interest*, Spring 2000,

But there was a problem: the Chinese participants couldn't agree on a translation of "jueqi". Even if you don't read Chinese you need only look at the ideogram "jue" to understand why an exact translation might present a problem:

崛

The three-pronged symbol on the left of the character is the Chinese "shan", which means mountain. The p-like figure in the middle might here be thought to represent a plateau or a plate and, under it, is the Chinese character "chu" which suggests upward and outward movement. In short the Chinese "jue", which like all Chinese characters is a pictogram of sorts, shows a large, slightly smashed mountain being pushed out of the way. The character might have been more at home in a discussion of geology than international politics: it was a picture of an earthquake.⁵

Of course "Peaceful Earthquake" was not the image Zheng had in mind to answer "China Threat Theory." On the afternoon before the conference started, Chinese participants were called for a closed-door pre-conference meeting to discuss how best to translate the word on the following day. Perhaps it should be rendered as "emergence," one scholar suggested. No one thought the word "surge", which was probably the best translation, fitted with the Zheng's core idea. Even as the main conference began the following day, Chinese intellectuals, many of whom spoke precise and fluent English as a result of decades spent living and working in the US or UK, were buttonholing Chinese-speaking foreign friends to ask us for advice. *Was Peaceful Rise a correct translation?*

⁵ The central p-like character in *jue* is actually a formal Chinese word for a dead body (*shi*), derived from the fact that the character in ancient times referred to the person who sat behind the altar at a funeral. This perhaps suggested an even less flattering interpretation of *jueqi*: China's rise was rolling the old dead corpse of the world order out of the way. Few neo-cons on either side of the Pacific had to look hard to figure out the implication of which nation China thought would be buried and which would do the burying.

That initial debate over how to translate “jueqi”, which might have appeared to be little more than a minor etymological detour, was more important than it seemed at the time. As the phrase “Peaceful Rise” began to make its way into international intellectual circles it often had the opposite effect of what Zheng had hoped. Rather than feeling reassured by Zheng’s promise, China’s critics instead used the slogan to demonstrate China’s untrustworthiness. “How can they claim a peaceful rise while threatening to attack Taiwan?” critics pointed out in various venues, most notably at meetings in Europe in 2004 designed to perpetuate the post-1989 ban on arms sales to China. *If they are peacefully rising*, one influential American neo-con asked, *why do they need your weapons?* Zheng responded to the Taiwan point by explaining that issues related to the island were an “internal” matter, and therefore exempt from the doctrine.⁶ That did little to answer his critics⁷. As American Secretary of Defense Donald Rumsfeld observed in the summer of 2005, “Since no nation threatens China, one must wonder: Why this growing investment? Why these continuing large and expanding arms purchases?”⁸

What was most surprising about this was that the phrase “The Rise of China” had been around for more than a decade. But when Zheng added an essentially positive adjective—*peaceful*—it made international observers *more* nervous, not less. “As Zheng’s essay makes clear,” one neo-conservative wrote of the theory, “China’s main goal continues to be amassing national power.”⁹ Peaceful rise simply wasn’t credible. It ran counter to decades of Western images about China and, as a result, felt more like propaganda than honest, resonant insight into Beijing’s intentions. No one knew what China was thinking or planning, most press coverage of China still made it appear dangerous and unstable, and Westerners looked at the country with views freighted by ignorance and bias. As a result,

⁶ See *China’s Peaceful Rise*, Speeches of Zheng Bijian 1997-2005, Brookings Institution Press 2005

⁷ See for instance Yan Xuetong’s widely discussed 有和平不一定有安全 (Having “Peace” does not mean having “security”, Privately distributed and at <http://military.people.com.cn/GB/1078/4028621.html>

⁸ Rumsfeld speech at <http://usinfo.state.gov/eap/Archive/2005/Jun/10-598697.html>

⁹ Tonelson, Alan “Washington Dreams on About China”, Washington Times, October 7. 2005

promising a “peaceful rise”, seemed hard to credit. And because China wasn’t trusted, talking about a “peaceful rise” had the effect of *further eroding trust in China*. It was literally like trying to convince people they were about to experience a peaceful earthquake. Not only would no one believe you, they would think that at best you were misinformed and at worst deliberately lying.

Zheng had stumbled into a paradox. What sort of strange physics of international power meant that a given input produced exactly the opposite output you expected? Zheng tinkered with the phrase, tried buttressing it with new logic and even drew parallels back through thousands of years of history to show China’s innately peaceful nature. It didn’t work. China’s leaders quickly dropped the phrase, retreating instead to “peaceful development,” a phrase that was a direct descendent of Deng Xiaoping’s “peace and development” (*heping yu fazhan*) and which stirred less opposition inside and outside of China. Later President Hu introduced the more subtle and more powerful idea of a “Harmonious World,” (*hexie shijie*).¹⁰ And though Zheng continued to use his idea in responding to attacks on China, the approach continued to backfire. Zheng could say “peaceful” all he wanted; the world still heard “earthquake.” In the end, what China thought about itself didn’t matter so much. What mattered was what the world thought of China. Zheng’s problem was a conundrum Lin Zexu would have appreciated, one that ran far deeper than the translation of *jueqi*. Lin’s letter to Victoria, after all, had also been intended to instruct, not serve as a precursor to war.

¹⁰ HJT United Nations Anniversary Speech, Sept. 2005, <http://www.fmprc.gov.cn/eng/wjdt/zyjh/t213091.htm>

Chapter 1: China's Image Emergency

China's greatest strategic threat today is its national image. The country is not, in the short term, likely to be invaded. The country's most important strategic issues, challenges as diverse as sustaining economic growth and the threat of Taiwanese independence, have at their root a shared connection to China's national image (*guojia xingxiang*). Tactical challenges such as the quality of foreign direct investment (FDI) that the country attracts, the willingness of other nations to provide technological and educational aid, and the spread of Chinese businesses into international markets all share a basis in national image. Even the leadership's desire to maintain internal stability has ties to how the country is seen and how she sees herself. For one of the few times in its history, this famously inward-looking nation is vulnerable to how it is seen abroad. How China is perceived by other nations – and the underlying reality that perception reflects—will determine the future of Chinese development and reform.

China's problem is more complex than whether or not its national image is "good" or "bad", but hinges on a more difficult puzzle: China's image of herself and other nations' views of her are out of alignment. This is no surprise. In the last twenty-five years China has changed faster than any nation in history. Economic growth has lifted hundreds of millions out of poverty, the spread of market-based economics has remade the cultural and political environment of the country, and a new generation of optimistic, engaged and worldly Chinese is planning a future that would have been unimaginable 30 years ago. At the same time, the government and Party have oscillated between moments of cutting-edge ambition and innovation and old-style ideological control and corruption. Every step of reform creates problems, leaving the government overstretched and Chinese society increasingly pressured. China's image has failed to keep up with these changes. The world's view of China is too often an unstable cocktail of out-of-date ideas, wild hopes and unshakeable prejudices and fears. China's view of herself often teeters between self-confidence and insecurity, between caution and arrogance. Chinese officials and intellectuals struggle to project a clear image of what the country is and what it hopes to become.

Instead, others control this debate. For a nation obsessed about territorial sovereignty, China has let its “image sovereignty” slip out of its control.

Because there is little agreement about what China stands for at home and abroad, misunderstanding and suspicion are a growing feature of China’s international life – particularly as China’s influence in commercial and geo-strategic matters grows. This imbalance makes it difficult for China to build the store of international trust that is essential for reducing the costs of the next, complicated phases of reform. This image bifurcation gives ammunition to China’s enemies while, at the same time, eroding China’s ability to sort helpful criticism from harmful attacks and respond effectively. It leads to frequent misalignments which each suggest a set of basic misunderstandings between China and the world. In places as diverse as Washington and Xi’an, some analysts argue that China faces not simply a conflict of interests with the West (*liyi maodun*) but a deeper and more intractable conflict of values (*jazhiguan maodun*).

In the eyes of most foreigners:

-- China is seen either as a land of Mao-suited citizens, as the “last surviving large communist country on earth”, or as a mix of “Fu man chu” and gong-fu stereotypes with more modern authoritarian images. A recent BBC survey found China’s image overseas declined in 2005.¹¹

-- Chinese products are seen as low-tech and poor quality; Chinese firms seeking to go global (*zou chuqu*) are seen as part of a national strategy of expansion that is flavoured less with the enthusiasm of capitalism and more with the greed of mercantilism¹². International financial firms regard Chinese firms as naïve, easy targets for fat

¹¹ BBC/Globescan 2006 Survey

¹² On views of Chinese products abroad, see Synovate survey of 6,000 consumers in the U.S. and Europe, 2006. 12 percent think of Chinese goods as “high-quality”, 88 percent rate them as “neutral” (33%) or “low quality” (55%). Synovate Global Omnibus survey. A 2005 survey of global marketing experts by Interbrand found that 79% believed the phrase “Made in China” hurts a product’s image. *The Strategy of Chinese Brands: Two White Papers*, Interbrand, 2005

fees and opportunities to “flip” investments for fast returns. They often care little for the long-term project of Chinese development.

-- Chinese labour is seen as “sweat-shop” cheap; asked to describe China’s dominant economic feature, consumers and businesses are more likely to reach for the phrase “copycat” than “innovative.” For foreign businesses, hopes of profits are balanced by a view, as one best-selling author explains, that, “The sad fact is that the Chinese system today is almost incompatible with honesty—almost everybody is at least a little bit dirty.”¹³

-- China fails to “get credit” for choices that align them more closely with the international community. In areas such as currency reform and nuclear proliferation, difficult Chinese policy decisions disappear as if they never happened, making little meaningful impact on the nation’s image. Areas where China is out of step with international norms produce far more friction outside the country than inside, often baffling Chinese policy makers.

-- Positive views of China tend to be associated with the country’s rapid economic growth as an opportunity for money making. There is little detailed understanding outside of specialist circles of the immense economic reform challenges the country still faces. Appreciation of the cultural, social and spiritual changes underway in China register with only a handful of people outside of China.

-- Chinese institutions fail to accurately project the complete image of contemporary China. Chinese consulates are often dirty and chaotic. China’s ambassadors, usually charming and deeply intellectual men and women in private, are rarely seen in the media environments of their host countries. CCTV 9, China’s international television station, presents a wooden image of the nation. While in other countries it is possible to visibly see government at work, glimpses of Chinese decision making remain rare, perpetuating foreign confusion about how China is ruled and the strengths and weaknesses of the system and Party.

¹³ McGregor, 119

At the same time, Chinese people themselves find their identity in transition as never before:

Chinese say their country is less “different” and “unique” than it was even five years ago. At the same time, they think the nation stands more for trustworthy, dynamic and stable.¹⁴

Traditional Chinese values are straining under the pressures of change, urbanisation and development. Divorce rates are at record levels, challenging the role of the family as the traditional centre of Chinese life. New immigrants to cities are trying to reshape both their economic and cultural lives, replacing centuries-old rural traditions with new urban habits and fears.

A new generation of young Chinese is leading the world in technology development; companies such as Shanda and Linktone are skipping past simple copying of Western ideas and opening up avenues of innovation that are setting world-class standards. Young CEOs are taking over once-staid Chinese State Owned Enterprises and bringing new ideas and dreams¹⁵. In the process these executives are leaving behind the idea that the only path for China is one of simply adjusting Western ideas by adding Chinese characteristics (*Zhongguo tese*). They envision a new, uniquely Chinese path—an idea reinforced by the country’s plan to promote “indigenous innovation” and move from technology-taker to technology-maker.

Chinese women, once pulled between the poles of Confucian subservience and Maoist equality, now face blank slates on which to imagine their lives. Chinese cities are filled with the energy of young women inventing new roles for themselves in culture, economics and politics even as they worry about reconciling such roles with family obligations.

¹⁴ WPP’s Y&R BrandAsset® Valuator primary research among 5000 consumers in 8 cities of China, June-July 2005

¹⁵ See, for instance, Li Cheng, The Rise of China’s Yuppie Corps: Top CEOs to Watch, in China Leadership Monitor, No. 14

China's vital, compelling contemporary culture is drawing fans from around the world. Three Chinese films are among the ten highest grossing foreign films in U.S. history, a list that contains no Indian or Japanese films.¹⁶ Yet Chinese officials generally take the path of least resistance when presenting the nation's culture, falling back onto old and unsurprising clichés of opera, martial arts and tea instead of turning to China's vibrant, new cultural leaders.

The danger of these misalignments is not China's alone. A lack of deep, nuanced understanding makes foreigners who want to interact with China vulnerable to dangerous miscalculations. Leaders as different as Chen Shui-bian and George W. Bush often describe a view of China that has little relation to the real thing. In the commercial world firms and individuals constantly make costly mistakes because of analysis based on over-simplified ideas about contemporary China. Given the potentially vital role China can play in maintaining a peaceful international order, this mis-branding of China is as dangerous for the world as it is for China. Though China's national image has improved since 1989, the heart of this improvement lies in the unusual economic and social stability of that period. "In good times, think of bad," the Chinese saying goes, a reminder that forming China's image for boom times is not enough. China is not simply a part of the international system; it is the most dynamic part – and therefore the most worrying part in many people's eyes. The country's image must be able to withstand the inevitable and ever-increasing shocks of future reform. Only an accurate, modern image can do this. There are many signs that China is ready for a rebirth of its image. But to achieve the promise of a true, Chinese modernity, there are legacies – institutional as well as psychological – that need to be shed¹⁷.

¹⁶ The films are *Crouching Tiger, Hidden Dragon* (2000) #2 with 128,000,000 US gross, *Hero* (2004) #4 with \$53,000,000, *Kung Fu Hustle* (2005) # 8 with \$17,000,000. *House of Flying Daggers* is #11 with \$11 million. In terms of worldwide gross, Chinese films hold four of the top ten non-English language positions. Source Exhibitor Relations Inc., via *The Numbers* at www.the-numbers.com.

¹⁷ I am indebted also to the excellent work done on national image and brand by Mark Leonard of the Centre for European Reform and Geoff Mulgan of the Young Foundation. In particular, Leonards BritainTM and Mulgan's British Spring provided essential help in thinking about the complex problems of national image. Both papers are available from the Foreign Policy Centre in the UK at fpc.org.uk

This paper is an attempt to assemble an objective view of this disconnect between reality and image in China and to use the idea I think is most fundamental about contemporary China – its ceaseless newness – to describe a way out of this labyrinth of confusion. I have no view about whether China's rise is "good" or "bad", but instead wish to concentrate simply on the challenges for China and the world associated with misunderstandings of China. This is also not an attempt to provide a formula for China to "whitewash" her image; such an approach would be disastrous. Frankly, no amount of "image surgery" can help China out of the numerous problems associated with internal and external behaviour that is out of step with global norms. Ultimately, China's image problems will remain as long as these political, economic and strategic leftovers continue. What I hope to attempt here, instead, is to suggest a way to have at least a more accurate view of China. But until China becomes a more trusted nation, making her a more understood nation is a difficult task.

As background for this discussion, I rely in part on the largest survey ever undertaken on the question of China's image. An analysis of Brand China was done especially for this report¹⁸. I have also turned to personal interviews with Chinese officials, business people and intellectuals to better document how and where China's image and China's reality are split apart. This work is an extension of my earlier paper, *The Beijing Consensus*, which attempted to provide a new framework for thinking about a constantly changing country and to worry more about thinking about where China is than where it is going. I have a similar goal here. If we were to ask people on the streets in the world's capital cities to reduce their view of China to five adjectives, what would those adjectives be? Do they reflect the real China? How do they compare with what Chinese would say? China's goal should not be to cover up the tremendous problems that

¹⁸ China was included in Y&R's BrandAsset® Valuator (BAV) study, which involved more than 500,000 consumers in 45 countries over 14 years. The study was conducted by self-administered surveys or interviewers; assembled and analyzed by a team of brand strategists and analysts. I am indebted to Y&R's BrandAsset® Valuator Group for giving me access to their research, particularly to Ying Tong and Ed Lebar, as well as to Sir Martin Sorrell, CEO of WPP Group.

haunt China's reality or the phenomenal uncertainty about what kind of country China will be in 20 or 100 years.

China must devise a set of ideas, icons, brands and messages that fitted with the country as it is now and as it hopes to be. This is not to say it should abandon its traditional culture; rather it needs to find ways to let the intellectual, cultural and commercial products of a fresh and emerging China complement and strengthen the country's traditional image. It must avoid the temptation to paper over China's real identity with politically palatable, saleable images that don't correspond to reality. In a world where it is ever easier to check propaganda against reality, lying about who you really are is a lethal mistake that simultaneously destroys trust and makes re-establishing an accurate national image needlessly difficult. To think that old-style "broadcast" propaganda campaigns can work anymore is an out of date idea. Chinese who pin their hopes on the 2008 Olympics to remake the nation's image are similarly making a miscalculation. The only single events that remake national images tend to be bad ones. And positive events, no matter how large, can only impact the image of a nation if there is a framework for people to fit that image into.

This is no easy task, finding a national framework capable of containing both the lively energy of Shanghai and the grinding poverty of Gansu, both the joy of expanding liberty and the too-frequent chill of restricted freedom, both the warm hearts of the Chinese people and their deep fears of social instability and foreign influence. Ultimately, this work can only be done by Chinese. The framework I propose here is an attempt at least to draw one possible outline, a set of ideas that emerges from what is most obvious and important about China: its rapid rate of change and the resulting combination of a complex reality and an uncertain future. I have tried to capture this in the Western idea of a "brand" for China and also in the very Chinese idea of *dan*, an adjective which might be translated as a kind of clarity coming from the combination of opposites. The Chinese character for *dan*, 淡, a combination of the figure for water (the three drops on the left side) and the figure for fire (reproduced twice on the right side) just as China herself combines many opposite elements. This idea of bringing opposites into harmony is a traditional Chinese value that is relevant today, when China is beset

by contradictions that make understanding her national condition difficult. China needs a *dan*-like national image, one that harmonises opposites, that contains both the wealth of China and its poverty while aligning internal and external views of the country. Honesty of this sort can help foreigners understand that the contradictions they see in modern China are not always signs of dishonesty or weakness, but rather signs of change.

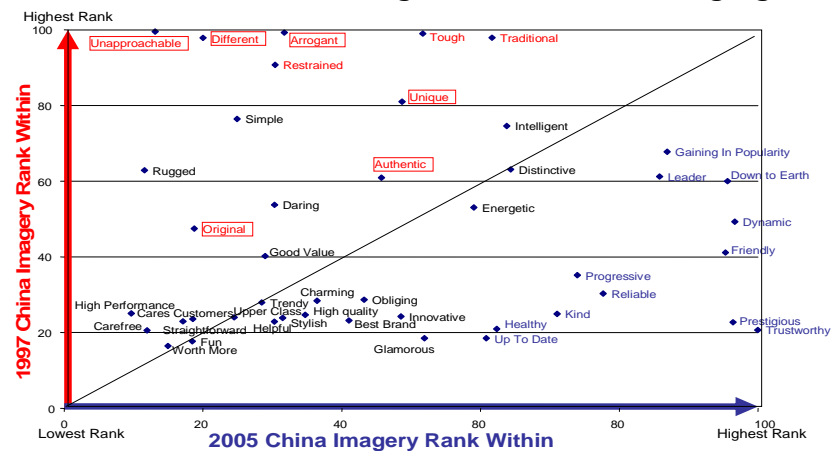
Thinking about national image doesn't come easily for Chinese. The country, after all, didn't have a government department for dealing with foreign affairs until 1861 (the famous "Office for the General Management of Affairs and Trade with Every Country") and that didn't have a school of foreign affairs until 1955. Yet some Chinese are already discovering that issues like national security and political reform are fundamentally inseparable from questions of national image. Scholars such as Hu Xin of the PLA International Affairs Academy, Wang Yiwei of Fudan and Shi Yinhong of Renda, have pressed along the already vigorous discussion about "soft power" and China's future. The virtue of thinking of China's image in simple terms, as if were a brand, is that it offers a simple way to check policies, to ask "is this decision consistent with our idea of ourselves?" A clear image also provides foreigners with a way to think about the emergence of a nation that will inevitably cause some international friction. Without such a framework, misunderstanding may become the defining feature of China's international life. China risks becoming freighted with the world's fears and seen as a giant, selfish economy run by corrupt bureaucrats and riddled with nightmares as diverse as internal terrorism and bird flu. If the country continues giving control over its image to others, there is every danger that this sort of perception will become commonplace – and, worse still, influence reality.

Chapter 2: The Uses of National Image: Maximum Power at Minimum Cost

The Chinese economist Hu Angang likes to describe the next phase of reform in China in terms of “four transformations” that will determine the country’s future.¹⁹ China, he explains, must transform (*zhuanbian*) from rural to urban, from a closed industrial economy to an open information economy, from planned to market economics, and from an environmentally insensitive model of growth to one that makes sustainability a first consideration. I believe China now also faces a fifth transformation: it must change its national image.

Of course, like everything in China, the nation’s image has already begun to change.

Chart 1: China’s Image of Herself is Changing



¹⁹ “The Political Economy of Uneven Development: The Case of China” by Shaoguang Wang, Angang Hu, M.E. Sharpe, 2001

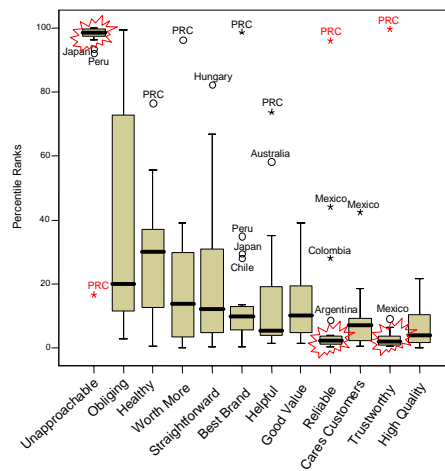
Chart 1, for example, compares 1997 and 2005 surveys of several thousand Chinese in the nation's most influential cities. *How closely do the following adjectives describe China?* respondents were asked in a self-administered questionnaire. In 1997 Chinese felt that words such as "arrogant", "unapproachable", "different" and "tough" best captured the spirit of their country rather than trustworthy, for example, which was among the lowest ranks of attributes. But by 2005, with an additional eight years of opening and reform behind them, "old-China" notions of arrogance and toughness had been replaced by an idea of "trustworthy", "dynamic" and "friendly" nation. Chinese, who once picked "unapproachable" to describe their country, now discounted the word dramatically. Chinese in the 2005 survey see themselves as "gaining in popularity," "down to earth," "prestigious" and as a leader. (At the same time, however, they see themselves as less unique, different and less authentic than eight years ago, evidence perhaps of homogenising pressures of globalisation, even in a nation obsessed with maintaining Chinese characteristics.)

The rest of the world doesn't share this view of China – or at least hasn't yet caught up with China's view of herself. They look at 2004/05 China and see both contemporary China *and* 1997 or 1947 or 1847 China. They often see something that can only be explained by national analogies that would make top Chinese leaders cavil: the USSR, North Korea, or 1890s Germany. Despite a few, widely-publicised-in-China studies showing that people in many countries have a more positive view of China, more sophisticated research reveals a great deal of underlying uncertainty. There is a tremendous bifurcation between internal and external views of China²⁰. Chart 2, for a set of adjectives that are associated with perceived dependability of a country, foreigners and Chinese rarely agreed on which were most apt. Across the bottom axis of the chart are

²⁰ Studies like the Pew Study or the BBC Poll which ask simple questions like "who is more of a threat to world peace, the US or China," do little to get at the heart of how China is perceived. In addition to suffering from statistical method problems associated with their small size, they fail to probe more deeply than one or two questions into people's views of China, which limits the ability to use the data in a sophisticated way. The large-scale, multi-variate BAV study used here is an attempt to remedy this problem.

scattered different adjectives, ranging from “unapproachable” on the left to “high quality” on the right. The two horizontal short lines show the range of rankings that are not outliers. The black bar shows where 50% of the worldwide answers fall. The wider horizontal line within the black bar is the median of worldwide answers. China’s view of herself is marked with the *PRC, where * indicates “extreme outlier.” (“Trustworthy” rates nearly 100 among Chinese and near zero for foreigners, for example. The Chinese respondents rated China higher than almost all other brands in China on “Trustworthy”, while citizens of other countries rated China lower than virtually all other brands in their countries on the same attribute.)

Chart 2: How China Rates On Attributes That Are Associated With Being *Dependable*

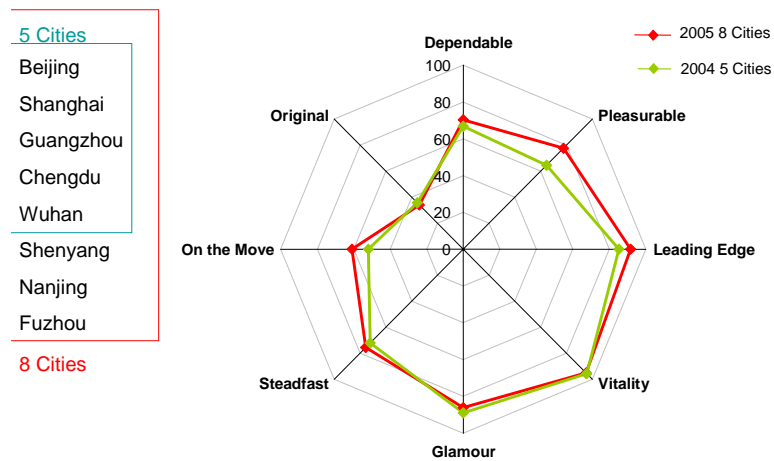


Global BAV All Adults: Australia 2006, Italy 2005, Spain 2005, Germany 2005, Holland 2005, Chile 2005, France 2005, Switzerland 2005
Mexico 2005, Argentina 2005, UK 2005, Hungary 2005, USA 2005, Brazil 2005, Japan 2004, Peru 2004, Poland 2004, Colombia 2004

What the respondents to the survey agreed on most clearly was China's inapproachability and untrustworthiness: China scored a nearly perfect correlation for both words in 2005, with very little variance among respondents. And while Chinese people rank themselves at the very top when it comes to health, value, and quality, foreign views are equally strong and completely different.

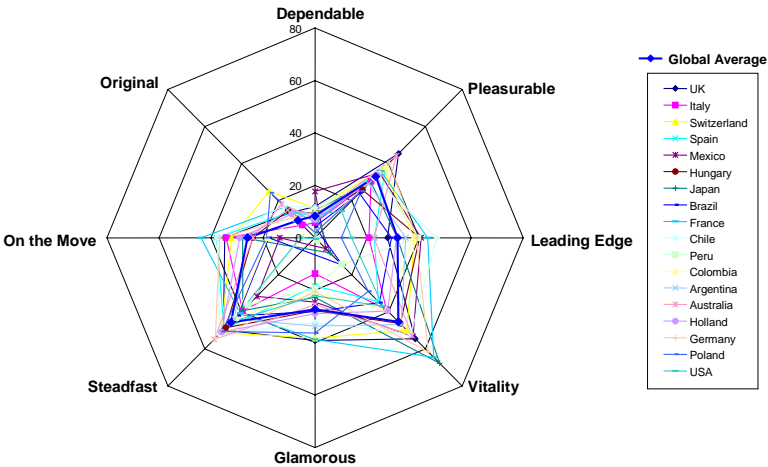
Another useful “snapshot” of this divergence of China’s national image is in the two charts below, which show internal and external views of the PRC along six different underlying imagery dimensions citizens around the world ascribe to countries. Is China seen as dependable, pleasurable, leading edge, vital, glamorous, steadfast, on-the-move, and original? The first chart shows China’s views of herself in the past two years, as the survey expanded from five to eight cities. Chinese people regard themselves as performing strongly in every respect, except notably for originality, a problem we will return to in a moment. The second chart shows both the average view of China in the rest of the world as well as a nation-by-nation breakout. And, again, if you lay the two charts on top of one another, you can see how China’s image of herself is diverging from the world’s image.

Chart 3: How China Sees Herself



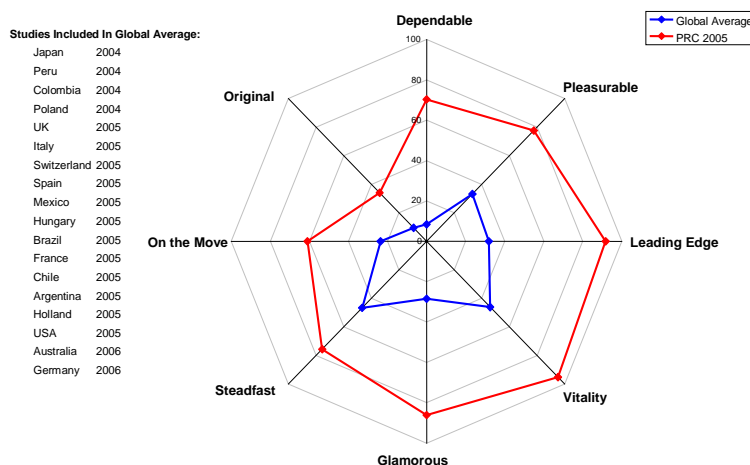
Global BAV All Adults: China 2004, 2005

Chart4: How Others See China



Global BAV All Adults: Australia 2006, Italy 2005, Spain 2005, Germany 2005, Holland 2005, Chile 2005, France 2005, Switzerland 2005, Mexico 2005, Argentina 2005, UK 2005, Hungary 2005, USA 2005, Brazil 2005, Japan 2004, Peru 2004, Poland 2004, Colombia 2004

Chart 5: How China Sees Herself Is Diverging From the World's View On Average



Global BAV All Adults 2004, 2005, 2006

Faced with the complexities of China's rapid change, foreigners use words that are familiar and comfortable, words like "nationalism," or "communism", to try to make sense of China.²¹ Thus, the country is called an economic "miracle," for example – a meaningless catch all that does little to get at the heart of what drives growth in China, to say nothing of the nature of that growth and its ongoing challenges.

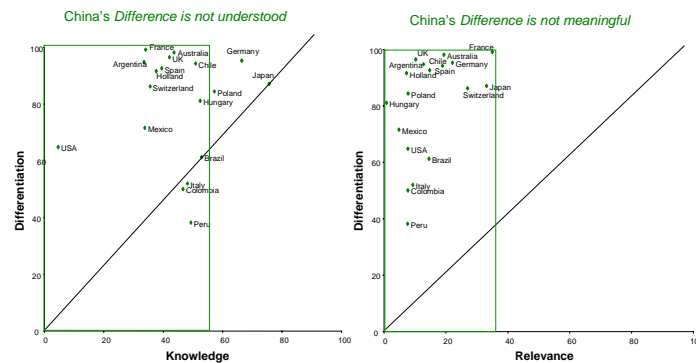
Charts like the ones above lead some Chinese intellectuals and policy makers to conclude that some sort of collision with the West is almost inevitable. "True friendship between Washington and Beijing is unlikely," Beijing University scholar Wang Jisi, once considered a supporter of U.S.-China friendship²², wrote in a 2005 Foreign Affairs article. There are plenty of Westerners who support this view. "Will China rise peacefully?," realist scholar John Mearshimer wondered

²¹ Wang Yiwei, 探询中国的新身份：关于民族主义的神话，in 世界经济与政治 2006 年第 2 期

²² Wang Jisi, "China's Search for Stability with America," Foreign Affairs, September/October 2005.

in an article in late 2005, yet another person finding use for *Peaceful Earthquake* to demonstrate a dangerous illogic he saw in China's grand strategy. "My answer is no. If China continues its impressive economic growth over the next few decades, the US and China are likely to engage in an intense security competition with considerable potential for war."²³ By 2004/05, China was among the most poorly understood countries on earth. As the chart below indicates, general knowledge of China remains quite low²⁴. People know China is "different" but have little understanding of either the roots or implications of that difference.

Chart 6: Knowledge of China is Low; Relevance of China is even lower



Global BAV All Adults: Australia 2006, Italy 2005, Spain 2005, Germany 2005, Holland 2005, Chile 2005, France 2005, Switzerland 2005, Mexico 2005, Argentina 2005, UK 2005, Hungary 2005, USA 2005, Brazil 2005, Japan 2004, Peru 2004, Poland 2004, Colombia 2004

²³ Mearshimer, John, *The Rise Of China Will Not Be Peaceful At All*, The Australian, November 18, 2005

²⁴ BAV study generally contains 1000-1500 brands in any one market. Perceptions of a brand are expressed in percentile ranks, indicating a brand's performance against the entire brand landscape in the market. For example, China is rated higher than 99% of 1138 brands surveyed in France on brand differentiation, but is rated lower than 65% of all brands on knowledge, which measures the degree of familiarity about a brand in BAV, rather than just awareness. For brand relevance, respondents were asked how appropriate a brand was for them. Brand differentiation is a composite measure consists of three adjectives: different, unique and distinctive. High differentiation with low relevance usefully means "I know you are different, but not for me."

Chapter 3: The Risks of a Poor Image and The Uses of Reputational Capital (名胜资本)

China's next stage of development presents tremendous challenges. Any additional costs add risk to what is likely to be among the most difficult economic and political transformations in history. China has amassed an astonishing amount of financial, technical and human capital; now it needs to accumulate reputational capital (*mingsheng ziben*). We might think of reputational capital as something that can be spent to help ease the costs of international conflict. It is true that every nation has its own interests, and that these interests are from time to time in conflict. But national reputation has a geometric effect on the costs of those conflicts. A positive national image can reduce costs of even great friction to very low levels; a poor national image multiplies the cost of small collisions to dangerous proportions. A misaligned national image, one that is not the same within and without, causes a similar increase in risk.²⁵ A good, properly aligned Chinese national image means the country can, as international relations theorist Fu Xin says, "use maximum power at minimum cost." The idea of some Chinese scholars that, "if we become strong we will be liked," is too simplistic. Power and reputational capital don't go hand in hand – a fact demonstrated every day by the challenges the US faces internationally.

In China, the process that has unlocked and transformed the country is known as "reform and opening" (*gaige kaifang*). And while it is possible to view much of what has happened in China in the last 25-plus years as the fruit "reform"—farmers picking up and moving to cities, factories sprouting from swamplands, Chinese entrepreneurs releasing long pent-up capitalist energies like suddenly unbound springs—China's opening provided the sunshine that illuminated the reform path and accelerated its success. In opening to a peaceful, globalising world, China found support for her dreams of economic renaissance, dreams that had repeatedly failed in the previous fifty

²⁵ One of the great values of alliances and treaties is that they serve as formal reminders of this alignment. One need only read the long list of names at the beginning of the Treaty of Westphalia to see that the treaty was as much a statement of common world views as it was an expression of managed national interest.

years. In 1979, as this opening process started, China's foreign trade represented 13% of GDP; by 2004 that number was north of 60% and the country was awash with foreign ideas, money and inspiration.²⁶

The root of this rapid reconnection with the outside world was a remarkable geo-strategic insight of Deng Xiaoping's— remarkable not least because by the time he assumed power in 1977 he had not been outside of China for nearly than 20 years. Whereas Mao had began every day convinced in the inevitability (*bu kebimian*) of world war, Deng suspected otherwise. As China lifted its head after the end of the Cultural Revolution, Deng looked around saw what he thought was a basically stable international order. Nuclear détente, a lack of a single dominant power, and a new focus on third world development – all of these conspired, he believed, to create an environment in which China could make economic transformation its new core (*hexin*). Mao's "war and revolution" (*zhanzheng yu geming*) could be postponed and maybe even forgotten; "peace and development" (*heping yu fazhang*) would be China's new banner.²⁷ "For a relatively long period of time in the future a large scale world war is unlikely," Deng explained to a 1985 meeting of the Central Military Commission²⁸. It was one of the great strategic insights by a leader in history, a *coup d'oeil* that enabled everything that followed. Perhaps this idea of a peaceful world had a deeper root in Deng's thinking. He was, after all, a man who at age 23 he had quietly replaced his given first name with a new one: Xiaoping, which might be translated poetically as "little man of peace."

The implications of this shift were immense. It meant, for example, China could cast aside Mao's policy of "disperse, mountain, cave" (*san, shan, dang*) which called for economic development of the country to be shaped by the rigid demands of a two-front war with

²⁶ Hu Angang, draft version of Selected Essays, page 22.

²⁷ See, for instance, Yang Chengxu "Discussing Deng Xiaoping's Foreign Affairs Thinking" (*taolun Deng Xiaoping waijiao sixiang*) in *China International Affairs Research Journal*. Yang quotes Deng: "粉碎'四人帮'以后，特别是党的十一届三中全会以后，我们对国际形势的判断有变化"，即改变了对世界大战不可避免的看法。"

²⁸ Deng Xiaoping selected works at <http://english.people.com.cn/dengxp/>

the US and USSR.²⁹ This institutionalised paranoia, justified or not, devastated chances of serious national economic development.³⁰ But Deng's strategic view had another implication, one that touches on our theme of national image: China should follow its own economic development path and not worry what other countries said or did. If world war were, after all, avoidable, China need not obsess about what the rest of the world was up to.³¹

As China passed into the early 1990s, Deng's development-first approach kept party leaders from fixating on a fundamentally uncontrollable and unpredictable international environment. This spirit of worldly self-determination, which echoed earlier attempts at Chinese modernisation like the "self-strengthening" movement of the late Qing (1861-95), infused every part of China's strategic thinking. It had, for instance, a tremendous effect on China's policy choices when it came to development. Instead of pursuing "Washington Consensus" style growth models or Eastern Europe's "shock

²⁹ In Mao's time populations were constantly prepared and drilled for dispersal (*san*) to inland areas, industries were tunnelled into mountain-sides (*shan*), and crucial leaders and factories were stashed inside bomb-proof caves (*dang*) that evoked the Party's early days in the caves of Yan'an. The evidence of this policy remains today in the bunkers that honeycomb China's large cities

³⁰ The belief in a two-front war is generally more associated with Chinese general Lin Biao than Mao himself. However Mao did share a belief, derived both from instinct and his close reading of Lenin, in the inevitability of world war. Among the other economic consequences of this was the "three lines" policy that called for industry to be distributed along three lines, with light industry on the coast, basic industries several hundred miles inland and truly essential heavy industries concentrated in strategic and remote centres like Sichuan and Guizhou, far from both the coasts and the Soviet border. The "mountain" part of "disperse, mountain, cave" refers to a famous quip Lin Biao that though China lacked many things, the one thing it had plenty of was mountains.

³¹ Older cadres, accustomed to the Maoist world-view that had liberated China from its Opium War humiliations, often challenged Deng on this point. *The non-Socialist world will never let us develop!* they insisted. Deng's response was a crisp four-character rebuke: *Just get something done (yousuo zowei)*.³¹ That ability to hold development as a the most fundamental long-term national policy (*changqi jiben guocce*) became even more important after 1989, a year when China was both isolated by her internal political struggles and suddenly living in a world in which it seemed certain the country would catch the post-communist infection that was tumbling one Eastern European government after another. "The problem now is not whether the banner of the Soviet Union will fall, but whether the banner of China will fall," Deng observed.

therapy” road – models that subsequently blew up economies from Argentina to Russia to Indonesia – China resolutely insisted on its own path. But the very thing that allowed China’s economic policies to succeed – globalisation – was also slowly eroding the country’s ability to ignore what other nations thought of it.

Among the ways in which a shortage of reputational capital boosts the risks of reform and chances of instability:

1. Increases costs of economic reform

China’s 11th Five Year plan, released in the Autumn of 2005, is explicit about the need to transform the country’s model of economic growth into something more broadly-based and sustainable. In the last 30 years China has gone from one of the most equitable countries on earth to one of the most inequitable, it has seen its environment suffer and struggles with the costs of a polluting and inefficient industrial base. One of the most striking differences between this new five year plan and the most recent post-reform plans is the emphasis on locally grown “knowledge capital” (what President Hu has called “indigenous innovation”)—a nod to the fact that the “catch up” growth that enabled China’s post-reform sprint won’t carry it through the next phase of development. Continued rapid growth is dependent both on access to the world’s best technology and local innovation, two elements that share a basis in national image.

How the world thinks about China determines to a large extent what kind of help it’s willing to give the country. It drives investment and technology transfer decisions, shapes the time horizons of investors, and has an essential role in shaping how foreign firms price the risk of working with and in China. Any hiccup in national image transfers almost directly into more costs for China. This is particularly true in technology, where decisions about what kind of technology to export to China are shaped as much by China’s image as by market concerns. There are more subtle problems as well, since China’s image not only affects the quantity of foreign investment the country gets, but also the quality. The relatively slow pace of the very best western investors to devote serious resources to China is an

expression of their nervousness about the country. Low-quality Foreign Direct Investment (FDI), from investors who are willing to “play the game” by corrupt rules, is dangerous because it often supports corrupt business practices (thereby encouraging them to continue), limits the transfer of the world-class management skills that come along with better-quality FDI, and tends to be short-term in outlook and expensive “risk-priced” investment, making it both more volatile *and* more costly to Chinese firms. Over time, the habits instilled by these short-term investors can drive good, longer-term investors out of the market entirely. As countries such as Chile have shown, improving national image (particularly in relation to perception of corruption) yields an improved return on FDI and an improved quality of FDI. As one study by the NEBR observed, “An increase in corruption from the level of Singapore to that of Mexico would have the same negative effect on...foreign investment as raising the marginal corporate tax by 50 percentage points.”³² The best quality investment dollars tend to flow to countries that have reputations as clean, reliable places to do business, where rule of law shapes the business climate more than highly corruptible networks of personal relationships.³³ Though China is among the world leaders in attracting net FDI dollars, it still lags OECD countries on a per-capita basis and continues to attract investment mostly to coastal areas and mostly from overseas Chinese investors³⁴.

A related way in which national image problems increase the cost of reform is in commodity markets, where uncertainty about China translates into higher prices. This uncertainty comes from more than an inability to pin down Chinese future demand; rather it reflects a

³² NBER working paper 8187

³³ Interestingly in the “catch up phase” a little bit of corruption might have some economic benefits in that it forces international firms to prefer JV structures as opposed to outright ownership when it comes to establishing local operations. This process accelerates technology transfer in the short term. However, it forces international firms to limit their exposure to these markets, reduces overall tech transfer (particularly of leading-edge, intellectual-property intensive technology) and creates risk-pricing structures that make the cost of FDI higher than it might be otherwise.

³⁴ Government policies have begun to show an effect at shifting the geographical distribution of inbound FDI, but FDI sourcing remains dominated by Hong Kong, Taiwan, overseas Chinese and, to some degree, “round tripped” mainland capital.

kind of uneasiness that increases costs in any fast moving market. Minerals companies, for instance, are now placing multi-billion dollar bets on continued Chinese demand by building out new mines; shipping companies are laying new keels with the same idea in mind. The cost of these activities also includes a sort of uncertainty premium, a charge that boosts prices because of a lack of clarity about China's future demand and national situation. Any sharpening of information about either of these issues should help ease prices – reducing costs to China and at the same time decreasing damage from the undeniable fact that growing Chinese demand is a factor in rising commodities prices. Forward-looking Chinese officials such as Ma Kai, who pioneered the idea of an Organisation of Petroleum Importing Countries (OPIC), have worked hard to find ways to reduce the economic costs of China's resource imbalance, but a better aligned national image would help support their work.

2. Increases chances of currency and banking crises

Whatever process and pace of currency liberalisation China chooses; national image problems have the potential to destabilise the country's currency convertibility plans. Following the 1997 Asian economic crises, a number of studies showed links between perceptions of national image (particularly of corruption and stability) on international financial markets and currency crises stretching back nearly 100 years. This relationship partly emerges from macro economic shocks China is likely to avoid (a high loan-to-FDI ratio, for example, or low international reserve-to-loan exposure ratios), but other correlated factors China may encounter -- such as an over-reliance on short-term capital, corruption or concerns about political stability -- can both trigger and accelerate crises. Though China's massive foreign reserve holdings protect it from a speculative currency crisis and to some degree from a capital account crisis based on fundamentals, they do little to isolate it from chaos related to poor market information that would be associated with confusion about China's national situation or a sustained inability to communicate clearly with international market makers. Robert Shiller's detailed study of the attitudes of US investors ahead of the 1987 stock market collapse, for instance, captures the sort of market dissonance that might unravel confidence in China's markets, a

process where mistrust and fear race ahead of facts, triggering panic selling. In 1987, Shiller concludes, the primary reason investors sold stocks into falling U.S. equity markets was not for any fundamental reason but simply because other people were selling. This economic phenomenon, known as herding, is a magnifier of small crises – and is accelerated by poor information and what Shiller calls the “vague intuitive assessments [made by] people under great stress.”³⁵

Banking crises are also a risk associated with national image. As China opens its banking system, it will accelerate the flow of overseas information into China's financial markets and into the lives of Chinese consumers. As word of international concern about the strength of China's banks or national situation spreads into the mainland, for instance, it could cause a run on local branches (particularly at undercapitalised local banks where demand to deposit ratios can become high quickly) – a phenomenon well documented in the research on modern banking crises.³⁶ Increasingly open Chinese equity markets will also be exposed to great external risks associated not with the fundamentals of Chinese companies but with apprehensions about the Chinese national situation. Simply put, as China's financial markets open, poor quality information flows combined with an image of untrustworthiness and instability presents an intolerable danger for China and the world.

3. An inaccurate national image slows process of rural reform

No one who travels in rural China for any amount of time can help but be moved by the difficult situation of China's peasants and their ability to endure extreme suffering. Local officials are overwhelmed. They are short of both money and skills to tackle the social and economic problems they face. While urban areas race successfully ahead, China's peasants struggle with everything from health care to education and local leaders lack the basic infrastructure to help them. Some of this pain has been alleviated by new government

³⁵ Shiller, Robert, “Investor Behaviour in the 1987 Stock Market Crash: Survey Evidence”, NEBR Working Paper No. 2446, National Bureau of Economic Research

³⁶ Kaufman, George G., “Bank Fragility: Perception and Historical Evidence,” Working Paper 96-18, Chicago: Federal Reserve Bank of Chicago, 1996.

policies (notably the *san nong wenti* and *xin nongcun* policies, which aim to reduce the burdens on farmers), but China's growing reputation for hostility to foreign NGOs are obstructing the arrival of new tools that could potentially help accelerate the solution of rural problems. "We have stopped almost all of our activities in China," the head of one large UK NGO explains. "It is simply too difficult to operate there." While China struggles to filter "good" NGOs from "bad" ones that it thinks could import political instability, it is missing an opportunity to help smooth the rough path of rural reform. At the same time, an over-emphasis on China as an "economic miracle," has the effect of making foreign lenders and NGOs wonder if the nation should still be a priority destination for aid efforts. Given the growing influence of NGOs in international political circles, their increasing distance from China removes the potentially positive influence of a group of actors who have every interest in encouraging a more clear-eyed, objective view of the wide range of problems confronting China.

4. Increases international tensions

One of the truisms of international affairs is figuring out a nation's interests and intentions are among the most important factors in trying to understand how states act. The Chinese government's recently released white paper on national foreign policy goals also acknowledges this problem.³⁷ A poor national image not only makes it difficult to convince other states of your intentions, but it also has the effect of accelerating misunderstandings, clouding a clear appreciation of national interest with dangerous prejudices. China's unique (and rapidly changing) national culture, different from any other nation's, already complicates this process, removing the often forgiving cushion provided by a sense of similarity of culture.

These tensions can also explode *inside* China. As Chinese citizens are able to see clearly how the nation is viewed abroad—often in ways that are starkly at odds with national self-perception – international conflicts may seed domestic dissatisfaction, either as a

³⁷ "China's Peaceful Development Road", PRC Government White Paper, available at http://news.xinhuanet.com/english/2005-12/22/content_3955754.htm

“take-to-the-streets” anger directed against other countries or as frustration with China’s own leaders for failing to properly manage problems that are seen as an affront to national honour. Nowhere is this clearer than in popular feelings about China-Japan relations, but it is easy to envision such a process occurring along the wide front of China’s international involvement. A misaligned national image, reflected back to Chinese citizens on the light-speed mirror of modern communications technology, has already shown itself as a rapid channel for transforming international conflicts into domestic ones.

5. Harms Chinese Enterprises

It is commonly understood that China has benefited from economic globalisation. But as the process of reform deepens, the country’s leading firms more and more need to transform into world leaders, a process Chinese refer to as “Going Out” or “Going Global” (*zou chuqu*). The more these firms experience the strains of international competition, the stronger they will be – and the better they will be able to support China’s modernisation. Such a strategy, however, presses a host of new demands onto a still maturing market economy. What, for instance, is the reputation of Chinese products? Are they seen as high quality or shoddy, as good value, as reliable? Three quarters of Fortune 500 CEOs say that national identity or place of origin plays an important role in their purchasing decisions. Do foreign firms feel comfortable “buying Chinese”? America’s recent foreign policy approach, for instance, has served to isolate it from many other countries in such a way that many European CEOs now say they seek to avoid “buying American” if possible. While the U.S. may be able to handle such a flight from U.S. products for awhile, this process poses dangerous long term risks for the U.S. economy – risks that China should strive to avoid in her own national economy.

Building world class firms will also help China change the tone of its interactions with the world, away from the relatively simple mechanics of trade exchange to the complex demands of shared equity. Current trends such as Chinese companies’ reluctance to list on equities markets in the US and Europe feed a perception that Chinese firms are not yet at world-class level. This may be true, but it

must also not be sustained. To get the most out of the international system, China has to be able to draw both knowledge and money from engagement with other countries. Chinese firms are among the nation's most effective ambassadors for this purpose, just as American and European firms are for their home countries. An untrustworthy national image makes this project of equity engagement more complex in every case and, in the most sensitive cases such as CNOOC (China National Offshore Oil Corporation), impossible.

It is not that Chinese leaders don't recognise the urgency of all of these problems, or the way in which the country's position in the world connects to its ongoing domestic development, or in the general importance of regarding China's position from a higher, strategic level. All around China, leading thinkers are looking for chances to re-invent China's global position and the operational habits of the country. Liu Yazhou, one of China's leading military intellectuals and a writer of unusual force and charm, likes to refer to the thinking of Gao Jin, another military thinker: "Strategic poverty is a major restriction on the development of a country. After the Iraq war ended, Gao Jin said 'The importance of warfare has waned, while the importance of strategy has waxed....His thoughts have been those of a prophet.'"³⁸ Speaking of what former President Jiang Zemin referred to as the current "period of strategic opportunity" (*zhanlue jiyi qi*) Premier Wen told an audience at Harvard in 2003, "if we don't grasp it, it will slip away. We are determined to secure a peaceful international environment and a stable domestic environment in which to concentrate on our own development, and with it to help promote world peace and development."³⁹

³⁸ CHINA-AMERICA THE GREAT GAME INTERVIEW WITH LT. GEN. LIU YAZHOU
1 HEARTLAND: EURASIAN REVIEW OF GEOPOLITICS 1.2005 Gruppo Editoriale L'Espresso/Cassan Press-HK

³⁹ Wen Jiabao's Harvard speech, <http://www.hno.harvard.edu/gazette/2003/12.11/10-wenspeech.html>

Chapter 4: Brand China (淡色中国): An Approach to National Image

Why is China so exciting?

Why is China so exciting? Certainly the rapid economic growth and the resulting cultural and social shaking-and-breaking evident to anyone who sets foot in the country, contributes greatly to the national energy of China. But what makes the country truly exciting is this: the prospect of a billion people beginning to choose their own identities. This is also what makes the country terrifying at times, not least to its own government. But in this important respect, China is touching on something that is not just Chinese, but rather the most universal of instincts, the desire to define our own lives. This process of self-creation is at the core of the modern project everywhere; it is as lively a sensation for a young Ghanaian attending college for the first time as it is for a Hunanese farmer buying his first suit of Western clothes. For most of human history, people had their identities handed to them. Where they were born, who their parents were, what they believed and hundreds of other factors constrained their choices of the sort of life they could live. Now all of the trends of modernity have conspired to press against that tyranny of birth, to replace it with the power of self-innovation.⁴⁰ And though the process of modernisation has a long way to run yet, in China and in the rest of the world, it will be the dominant fact of our lives. And because it is where Chinese values and global values are most firmly linked, it may offer an approach for clarifying communication between China and the world.

What was, for instance, so fundamentally and instinctively appealing about the idea of an American Dream was that it captured in an entire nation this modern way of thinking about your life. Free of the concerns of an aristocracy, blessed with what seemed unlimited resources, America was a country where it seemed possible to bring all of your hopes and make them into a life that was rich on your own terms. No matter where in the world you lived, you could project your

⁴⁰ See, for instance, Roberto Unger's work on social and political development.

dreams onto the idea of America. Movie star, doctor, teacher – any of these paths seemed possible. That most famous of American rebellions, the adolescent process by which Americans grow up and make themselves into something different than their parents, sprayed out in the sounds of Elvis, the movies of James Dean, the books of Hemingway – they were all advertisements for that often bumpy path of choice and exploration, the single most powerful gift of modernity. It was no coincidence that the cultural movement known as modernism took its fire from a bunch of young Americans living in Paris, smashing their way through European cultural values in search of something that felt new and authentic. That 1920's intellectual adventurism is something you'll find today all across China, from art schools in Guangzhou to computer academies in Xi'an. Self-innovation is an almost a perfect definition of modernity.⁴¹ And China has no choice. Reform creates problems at such a rapid pace that the defining characteristic of the state, if it is to survive, will have to be an endless quest for new solutions. Without new ideas in every element of Chinese life, the country's reform experiment will fail.

What you find in China, however, is not simply that the country *needs* innovation; it is that one of the great charms of China is that she can't seem to resist it. In every corner of Chinese life there are opportunities to see Chinese using new ideas to reshape how they live. Perhaps the best example of this has been the emergence of the Chinese internet, which began on a path dominated by "me-too" firms, companies that simply copied the business models of Western firms, creating "The Chinese Yahoo!" or "the Chinese EBay"; essentially internet companies with Chinese characteristics (*zhongguo tese*). But the most interesting new Chinese web firms

⁴¹ As such, it similarly leads us into the questions of identity and influence in post-modernism as well. To the degree modernism acknowledged the freedom of the individual, post-modernism began again to constrain it with a new set of limits, everything from psychology to linguistics. This is particularly relevant in the case of China. Post-modernism, after all, has its roots in the thinking of Lyotard, who argued post-modernity is a time in which change has become constant, a process that demolishes the notion of status quo/progress. In *The Beijing Consensus* I described this process in China as producing a "fog of change" that is very similar to the sorts of philosophical confusion post-modernity suggests. See *The Post Modern Condition*, Jean-Francois Lyotard.

are those that have emerged in the last couple of years, companies that are Chinese creations from the roots up. Companies like Shanda and Linktone have no easy analogy in the West. They are not the “Chinese” version of anything, but rather purely Chinese inventions (I refer to them as “post-Chinese characteristics” firms, or *hou zhongguo tese de gongsi*). The country is rapidly moving past simply importing foreign ideas and then adjusting them to local conditions to make “Chinese characteristic” versions. Rather, the demands and opportunities of the Chinese market are leading to completely new ideas. This is as true in politics, economics and social life as it is in the internet. Travel around China and you will find local mayors inventing new ways to urbanise, well-intentioned doctors trying to find ways to provide good medical care in a failing medical system, entrepreneurs looking for opportunities to start new firms. Of course, you will also find peasants finding new ways to organise, officials “innovating” new ways to control dissent or loot state assets. What is useful about the idea of an innovative China is that it captures all of this, good and bad, and honestly reflects the hopeful and dangerous energy that animates modern China. If the first adjective people think of to describe China is “new” they will be acknowledging the most important, honest and obvious thing about the country: its future is unknown because it is still being invented. No single insight could provide a better intellectual framework for contemplating China with a mind free of groundless fears and out-of-date prejudices or equally wild and unfounded hopes. China’s problem is that while this searching and seeking energy has become an essential part of domestic life, it has not yet become a part of China’s engagement with the rest of the world.

China must project this newness if it is to improve the alignment between the inside and outside of the country and make its emergence more harmonious. China is confronting huge problems and looking for ever larger innovations to solve them. Discussions of China should be redolent of change and innovation; they should be frank about the failures of reform and the desperate demand for new ideas to help the country. And though this focus on newness runs counter to many current attempts to talk about China as “ancient” – by opening up “Confucius Institutes” around the world, for instance – the world needs no reminder of China’s age. What it needs instead is

a simple way to understand what is happening in China *today*. Thus the country's very newness, its constant invention of new ideas and solutions to new problems, is a far more powerful way to connect with the world than its ancient traditions. Not only is this idea of self-innovation a true expression of contemporary China, it also has the virtue of resonating with anyone who has ever experienced the modern process of self-creation. As such, the idea could be seen as an expression of the old Confucian idea of "attracting through virtue" (*yide laizhi*). It harmonises, to use President Hu's word, China's national experience with the most basic process of modern life: self-invention.

Self-invention is an idea that can contain both the good new China – the richer, more open country – and the sense of urgency the country feels about shedding the most toxic legacies of old China. This is vital. A national image of China cannot just be a "whitewash." True and effective images explain both the good and the bad of a country. Singapore's recent national branding campaign was an example of this. How could the country capture both the Singapore of comfortable living, good food and world-class education and health care, with what the rest of the world saw as the "bad" Singapore of stiff laws, death penalty and a history of strong central government? The answer was to brand the country as being a sort of outpost of law in the wild part of Asia, a place people could use as a base for their personal and business adventures in the region. After all, the logic went, if you were travelling in Asia, you needed and wanted a place with strong laws. Thus, Singapore's bad traits were put into the context of its good traits. Singapore was like "your home in Asia," and no one wanted chaos in their homes. The country's stability was turned from a liability into a strength. Singapore wisely chose not to ignore this part of their national life, but to acknowledge it, thus enhancing their credibility. China needs a national image that can do the same.

Yet China cannot do what, for example, Singapore is doing or what France has done with its "Open For Business" campaign. These ideas are too narrow. The Chinese national project is of sufficient complexity that only a large brand on the scale of the American Dream can answer the challenges of Chinese national identity. Only

then will China avoid the dangers of image misalignment and begin accumulating the reputational capital it so badly needs.

White (淡色) China: A Path to explaining the “Chinese Dream”?

There is one idea from the world of marketing that might be of use here: the idea of a white brand. The most powerful brands in the world are white brands, brands onto which we can project our hopes and dreams and desires in the same way you would project an image onto a movie screen. In essence, the very “whiteness” of these brands (a better Chinese word than white (*baise*) might be *dan*, a water-like sort of blandness) means that we market them to ourselves; we make them mean something unique. We sell them to ourselves as opposed to having them sold to us by others. And because we define them for ourselves, our attachment to these white brands is much stronger than to brands forced upon us. This is particularly true in a world in which we are accustomed to more and more choice, both in products and ideas. White brands in consumer goods include things like Levis jeans or Nike shoes, products that mean one thing to a surfer in New Zealand, something different to a cowboy in Arizona and something else to a college girl in Budapest. Each of these people can project their own values onto the jeans or the shoes, which “fit” them not only because they are comfortable but because they can become imbued with whatever meaning they choose: casualness, freedom, America, tradition. The power of a white brand lies in the fact that you have “branded” it for yourself.

The most powerful white brands aren’t consumer products; they are cultural, political and intellectual. To some degree this approach to making meaning is reflected in the vast yet deep spaces of traditional Chinese art or in the epigrammatic characters of the Chinese language, each of which require a bit of poetry to feel out their particular meaning. This kind of “blankness” is particularly powerful for good and ill in politics. Fascism, racism, nationalism, fundamentalism – are all ugly examples of white branding run amok. But there is no denying the power of these ideas to mobilise people. These ideologies inspire people in the same way the idea of an American Dream does: they mean something different and powerful to different people.

The Chinese character of *dan*, which suggests a kind of blandness or blankness is a good expression of this idea, containing as it does both the character for water (the three drops on the left) and to small figures representing fire. It helps express one of the most challenging problems in explaining China: how can you let people understand China is a land of great opposites, held together, often with tremendous tension? This idea of bringing opposites into harmony is one of the great charms of Chinese culture. But China's opposites are also what defeat any attempt at a simple explanation of the place—and thus reinforce the country's reputation as untrustworthy.

Creating a frame for thinking about China is of tremendous importance. But trying to force foreign views of China into a pre-set frame is dangerous. Insisting "China is not a threat" at a time of booming military budgets only undermines China's credibility. Explaining that China is both peaceful *and* wants a strong military is incredibly difficult proposition – even if it is true. The same is true for a host of Chinese contradictions: saying, for instance, that China's economy is too unstable for massive currency reform even as it accumulates a trillion dollars in US currency is one example among many. Foreigners, confronted with the great complexity of China, tend to reduce their opinions of the country to oversimplified ideas. Westerners in particular struggle with the idea of opposites existing at the same time. So it is important to find a framework that will allow the world to appreciate the contradictions and complexities of the country, a framework that holds opposites together in the same way *dan* does. Newness, with its inherent implication of the tensions of invention, offers such a route, a path to an idea of China that is as universal and compelling as an American Dream.

Chapter 5: The Way Forward

The aim of this paper so far has been to objectively establish three things. First, that China's national image is both poor and misaligned with the complex reality of daily life. Second, that the transformation of China's national image into something honest, coherent and sustainable is as important a transformation as the other immediate challenges of reform. And, third, that the idea of newness as a core piece of the Chinese "brand" offers a way for China to open to the world—and a path for foreigners to try to concentrate on the real, emerging China instead of the one they are pre-conditioned to see. By way of conclusion, I would like to outline a few practical steps that could help accelerate this process of bringing images of China more closely in line with reality.

Agreeing on a framework

The first, important step is to make a decision that China's constant newness is the most useful framework for understanding the country. For Chinese, this suggests a constant effort to project images of new China and avoid turning to old clichés about the country in an effort to explain what is happening. The data suggests most people in the world already know China is an old and complicated culture⁴². Further emphasising that point does little to encourage new views of China. Making this message clear will require a concerted effort to manage the brand of China in a way that is both honest and consistent. If China attempts to "whitewash" its brand as "innovative" there is every risk that it will become known as the world's most innovative dictatorship. The country needs to communicate honestly and openly about its challenges, to work hard to explain the context that leads to friction with international expectations and to constantly reinforce the idea that the country is in the process of inventing itself, with the goal of a richer and freer society in mind. This is not, after all, such a leap. At least one study finds that the idea of "innovation" does sit alongside a current sense of China as "ancient":

⁴² Brand China WPP Study

If we accept that we cannot predict where China will be in 20 years it is vitally important that we know, at least, where it is today. From this perspective, every event in China's national life is an opportunity to communicate about China, whether the events are seen as "good" or "bad" outside of China. Corrupt officials, environmental pollution and social protests are a fact of life in modern China. Pretending they don't exist only undermines China's credibility on other issues. It is better to be forthright about these problems than to ignore them. Similarly, China's engagement on issues such as North Korea, currency reform and problems of environment and social equity are positive steps that would reduce international frictions if properly positioned as part of a larger framework. What matters most is that no event, good or bad, should emerge as a surprise or stand for long without a clear, plain-language explanation of its meaning.

For foreigners, accepting this "newness framework" means making a concerted effort to see the freshest part of China. Too often foreigners come to China and stay in a bubble. This might have been excusable in a time when venturing out into the hustle of Chinese society was made difficult by political, cultural and language difficulties. But today most of those have eased. While it is inevitable that visitors to China will want to see the country's icons of ancient life, visitors should seek also to find examples of new China since these are the things that will have the biggest influence over the country's future. One rule of surveying fast-moving systems of all sorts seems relevant here: the newer the data points you have the more accurately you can try to guess at a future trajectory.

For China: Institutional Reform

There is much discussion today in China about improving institutions and governance. In 2004, for instance, Premier Wen for the first time included a special section of his annual work report devoted to the question of how well China's government was functioning. From changing the way state owned enterprises are run to how officials are monitored for corruption and loyalty to party thinking, national modernisation is spreading out of economics and into areas that are still closed and dominated by old-thinking. The Chinese government

needs to develop a more coherent approach to the question of how China's image is handled.

As much as this sort of top-down strategic work is essential, it must be complemented by energetic and creative implementation. The government must find ways to let the national entrepreneurial spirit make its way into the arena of international image projection. Creating a culture of risk-taking is a problem for Government and Party operations generally, and it is naïve to think there is much chance of local officials or overseas embassy staff being given much freedom to explore how China's image is handled. But the more China's next generation of leaders feel comfortable to connect as human beings and not purely as expressions of an institutional structure, the better they will be able to operate as legitimate ambassadors of the country. Moreover, the values China talks about in its innovative strategic vision should also be captured by those who represent the brand overseas: bright young thinkers, ethnic minorities, artists and writers should all be brought to the surface as a way of showing some of the vibrant tensions in modern Chinese life. They should be encouraged to speak honestly and personally about life in China, about, for example, how they balance in their own minds the demands of stability and freedom.

China should also consider transforming its activities in places like New York, London, Washington, and Tokyo into opportunities for foreigners to interact with China. This does not mean building "broadcast" centres overseas to spread China's message but rather creating "nodes" where policy makers, journalists and others can plug into a bit of modern China. Today China's official overseas presence is invisible at best and off-putting at worst. Platforms like CCTV-9 should be a world-class projection of modernity, characterised by inventiveness and a passion for introducing China to the world. And while the government plan to build out Confucius Institutes is a first gesture at public diplomacy, it is important that these sites represent new, innovative China and not simply the millennia's-old culture generally associated with the name on the door. This is not only because "old China" ideas undermine the urgency of making people see China with new eyes, but also because a relentless government focus on old China when the world

has constant evidence of the country's newness further undermines China's trustworthiness. In every instance, China must communicate clearly about her national goals and listen to how those goals will have an impact on the rest of the world. While it is only natural that China starts with a "what this means for China" approach, it must also demonstrate that it understands the responsibilities of interconnectedness.

From Broadcast to Network

The biggest change in orientation in handling the question of China's national image is the shift from a "broadcast" model in which China tries to tell the world what to think to a model that recognises that, ultimately, the decision about what China's brand means will be decided by the world at large. This means replacing top-down approaches to message management with a broader-based approach that offers many pathways into understanding China. This will be a difficult change. China is expert in shepherding foreigners around; the phrase "handling barbarians" has a kind of art-like flavour to it, as if dealing with foreigners was a complex game of smoke and mirrors. But in the modern media world it is too easy to see where the mirrors end. The only solution is to create a system that talks frankly about every element of Chinese cultural, political and economic life, that lets foreigners find their own path to an understanding of China, through the good and bad of the country. China must understand that her "brand" is not what she says it is; it is what other people say it is.

Creating this kind of interactive framework will put new demands on China's diplomats. They must learn to be comfortable in the international media world, capable of speaking off the cuff and of explaining honestly and directly both the problems China faces and the opportunities ahead. At the same time, China must begin to expand its idea of what diplomacy means. Too many foreign officials, intellectuals and business leaders have no Chinese friends – and this is an opportunity for change. The group of 1,000 or so individuals in the world who wield the most influence should all be able to be less than a day away from getting a phone call returned by a friend at the vice-ministerial level or above. This is a demanding

challenge for China, adding an additional burden to already overworked officials. But such an approach highlights just how important keeping these channels for stabilising and correcting image misperceptions is. Clearly not every Chinese official is capable of maintaining or cultivating such relationships, so some selectivity will be essential in creating a core group who are comfortable in these kind of relationships. For China and foreigners, such an approach will help dissolve the “us-them”, “socialism-capitalism” sorts of simplifications that make clear communication difficult.

Does China truly face a values conflict with the West? I am not sure, in the end, that it matters. If Chinese values and western values do have some sort of deep seated, irresolvable mis-alignment, then maintaining a constant dialogue will be the only way to stop small frictions from starting fires. And if there is, in fact, no values division, a clearer understanding of China will help avoid turning cultural misunderstandings into real conflicts. What is undeniable is that China today struggles to make herself trusted and understood. Masked by strong economic growth and growing national power, it may appear that this is an irrelevant problem. But China’s immediate future will certainly be more complex than its recent past, its rise on the international stage will fuel ever more jealousy and concern, and it will need to solve domestic problems at a level of complexity that can hardly be imagined. And as innovative as China is, in an interconnected world, the country still must rely on the good will of a global marketplace of ideas and goods. That good will, in turn, rests on how much China is trusted and how well she is understood. Trust and understanding of China are two assets that are not today as abundant as they should be. Finding ways to cultivate them should be a national priority for China.

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