

Rapid-growth markets soft power index

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Introduction

Everyone is familiar with the concept of *hard power*. Hard power is the military and economic might a nation state uses to obtain what it wants from other political bodies. Hard power typically rests on either inducements, “carrots” or threats, “sticks,” which renders it compelling by nature.

However, countries can sometimes obtain the outcomes they want without tangible threats or payoffs. This indirect method has sometimes been called “the second face of power” or *soft power*. A term coined only 20 years ago by Joseph Nye,¹ soft power is the ability of a state to influence the actions of others through persuasion or attraction, rather than coercion.

At its core, soft power rests on the ability to shape the preferences of others. If one is able to get people to do what one wants, there is no need to use either “carrots” or “sticks.” The ability of a nation to influence others tends to be associated with intangible assets such as an attractive personality, culture, political values and institutions and policies that are seen as legitimate or having moral authority.

However, soft power is more than just the ability to influence others. Influence, after all, can also rest on the hard power of threats or payments. Furthermore, soft power is more than just persuasion or the ability to move others by argument, although that is an important part of it. It is also “the ability to attract, and attraction often leads to acquiescence.”² For example, it has been argued that the United States exerted more global influence during the past half century using its soft power than it did using its rather considerable hard power. Much of the post-World War II movement toward free trade and democracy was the direct result of the world wanting to emulate America’s culture, institutions and values.

1. Joseph Nye, *Bound to Lead: The changing nature of American power*. (New York: Basic Books, 1990).

2. Joseph Nye, *Soft Power: The Means to Success in World Politics*. (New York: Public Affairs, 2004).

"Soft power is a dance requiring partners"

Joseph Nye

Several recent trends have made the deployment and use of soft power even more critical. The first has been the recent economic surge of the emerging market (EM)³ economies. After decades of boom and bust cycles, the EM economies have enjoyed an enormous growth advantage over developed market (DM) countries since the turn of the century. While the EM growth story before the turn of the century had largely been a Chinese phenomenon, economic growth since then has been steady and broad based, incorporating most EM regions (Central and Latin America, Eastern Europe, MENA, South and East Asia and even sub-Saharan Africa).

The rise in EM hard power over this decade has been dramatic. In 2000, the emerging world accounted for 20% of global GDP but, by 2010, this figure had risen to 32% as well as 44.8% by Purchasing Power Parity (PPP).⁴ Over the same period, its share of world trade rose from 8% to 20%, while its share of global equity market capitalization rose from 7% to 30%.

One of the crucial questions that first arises is whether soft power in the emerging world has risen commensurately with its hard power during the past decade. If so, has it reached levels where some of the EM economies can now challenge those of the developed world? If it has, the combination of rising soft and hard power will give many EM countries considerably more influencing power in obtaining what they want in the coming years. For example, the recent augmentation of the emerging world's share of voting rights in international institutions, such as the World Bank and the IMF, could be reflective of their rising soft power.⁵ On the other hand, if soft power in the emerging world is actually falling, it could offset much of its hard power gains over the past

decade, and dilute the impact of EM's growing economic influence – which is hard power – on the global stage.

Second, while the focus of this paper is largely on the rapid-growth market (RGM)⁶ economies, the issue of soft power has quickly become a critical issue for much of the developed world. The collapse of economic growth and soaring levels of indebtedness in many of the OECD countries since 2008 has been nothing short of devastating. Future defense budgets and foreign financial aid are now entering the early stages of being significantly downsized. With fewer hard power and diplomatic resources to deploy, soft power tools – especially those not financed by the government – will need to be employed with more regularity and intelligence.⁷ Unless the countries of the developed world are able to maintain (or possibly augment) their soft power during the coming decade, they will most certainly face a scenario in which their ability to influence events and move the world the way they want will be greatly diminished.

In short, in a world where hard power has become increasingly counterproductive (witness the recent Arab Spring), soft power has gained widespread currency and is now regarded as an important and comprehensive indicator of national strength. The next section introduces the components of this paper's soft power index.

3. In the paper, the EM nations are defined as all of the non-OECD countries.

4. World Bank's World Development Indicators (WDI).

5. China's share for the first time will now exceed the voting shares of some large European economies.

6. In this paper, RGM countries are defined as per *Ernst & Young's Rapid-Growth Markets Forecast*.

7. Jonathan McClory, *The New Persuaders: An international ranking of soft power* (2010).



Soft power index

The 13 soft power variables that impact a state's soft power on the global stage

Up to now, attempts to measure soft power have been tackled exclusively through multi-country surveys that have tapped the opinions of a large section of the population or have been composed of a panel of “experts.” What has been lacking is an objective, quantitative index that relies upon hard data that is not subjective to spur of the moment opinions, which are liable to shift quickly based upon current global geopolitical conditions. The absence of a quantitative measurement makes it impossible for an international comparison of the strong and weak factors driving soft power in each country. Moreover, a quantitative analysis will also serve as the basis for effective policy suggestions.

Constructing a quantitative index that accurately reflects a nation's soft power is not without its challenges. By its nature, soft power is a relative and intangible concept that is inherently difficult to quantify. Furthermore, the relational nature of soft power, where the perceptions of one country might vary substantially from another, makes cross-national comparisons difficult. What inspires love in Paris might repel in Riyadh.⁸ Nevertheless, there are a large number of attributes and qualities for which most nations share a universal understanding and appreciation. Recognizing this challenge, the proposed index combines a wide range of indicators that captures the overall soft power capabilities across nation states.

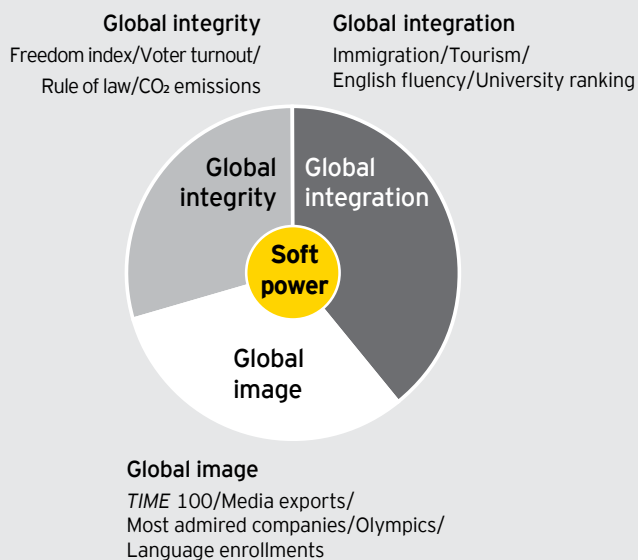
8. Jonathan McClory, *The New Persuaders: An international ranking of soft power* (2010).

The rapid-growth markets soft power index data presented in this report is based on the sources listed on p.18 - Appendix 1 under the "Data sources" column of the table and do not reflect views nor research conducted by Ernst & Young.

Thirteen soft power variables are presented below, with a description of how they impact upon a sovereign state's soft power on the global stage. Appendix 1 lists their exact weights, data sources and latest year available. Due to the limited data availability of a few of the variables, the index covers the six years from 2005 to 2010.

Soft power variables

To understand the key drivers behind soft power better and how countries accumulate it over time, the variables that define soft power are organized into three major categories: global image, global integrity and global integration. They are each defined, in turn, below:



Global image

Global image is a measure of a country's global popularity and admiration, especially that of its culture. Countries possessing more global admiration have far more soft power influence in the world. Variables that reflect a country's global image include its export of media goods, the popularity of its language, the number of Olympic medals it has earned, the number of its citizens who are global icons and the number of its companies that are globally admired.

Media exports

Royalties from media exports measures the royalties and fees earned by a country from the export of goods such as films, music, screenplays and books. These cultural exports represent a potential source of soft power. For developed nations, such as the US, these exports have been an important source of soft power for many years. However, RGM media exports are still generally in their infancy and the fees that are earned do not necessarily reflect an export of the local culture and values (e.g., Hungary). Nevertheless, these cultural exports will be an important source for the RGMs to increase awareness of their cultures and accrue future soft power.

Language enrollments

This variable estimates the number of US college students enrolled to study another country's native language. US fluency in a particular foreign language gives that country some degree of soft power because it will be better able to communicate with the US. While US language enrollments are significantly skewed by the continued dominance of the traditional European languages, US enrollment in some RGM languages is quickly rising, reflecting growing interest in that country or region. For example, Mandarin Chinese and Arabic have seen large US language enrollment growth rates in recent years.

Olympics

The Olympics are a unique opportunity for countries to assert a global presence and earn admiration from other countries. During the Cold War, the Olympic Games were a unique opportunity for the Communist Bloc to assert their athletic dominance against the West and augment their soft power – although these intense rivalries and their subsequent soft power potential have diminished in recent decades. The total number of medals won during the past two Olympic Games is used as an indicator.

TIME 100

Another important aspect of soft power is the power of icons. The influence of inspiring and charismatic figures often transcends national boundaries. Each year, *TIME* magazine compiles a list of what it considers to be the 100 most influential people in the world. Covering a variety of topics from political power to scientific innovation, the list offers a means of measuring the global “star power” of the popular icons for a given country, which can be translated into soft power. For example, Nelson Mandela’s iconic influence has contributed to South Africa’s soft power. The list is especially important for RGM countries, as they increasingly produce innovative global leaders in fields such as human rights, activism and economic development.

Most admired companies

Each year, *Fortune* magazine compiles a list of the world’s most admired companies through a survey of global business leaders on a wide range of company attributes. A country’s companies are one of the primary ways it engages and integrates with the rest of the world, and companies with popular images and brands augment their host country’s soft power. For example, internationally popular American companies, such as Apple or Starbucks, heavily influence cultural trends abroad.

Global integrity

Global integrity measures how much a country adheres to an ethical or moral code. The world respects countries that protect their citizens, uphold political and social freedoms, empower their people and treat their neighbors with respect. Countries that lack integrity are not respected by the rest of the world and find it difficult to accumulate soft power.

Rule of law

The rule of law index is compiled by the World Bank, and it attempts to measure the quality of a country’s institutions. It includes a long list of variables, including a country’s crime rate, levels of violence and corruption and the quality of its courts. Countries with high rates of corruption, crime and violence lose credibility within the global community, while countries that have a long history of strong courts and solid institutions command more respect and influence both abroad and within their borders. For example, Venezuela’s credibility and soft power in Latin America has been weakened in

the eyes of many by its government consolidating power by passing laws that strengthen the country’s executive. In comparison, Chile’s high-quality institutions have given a strong boost to its image and influence both regionally and globally.

Freedom index

Similar to both Rule of law and Voter turnout, a nation’s degree of freedom also affects its global credibility and influence. Countries perceived as totalitarian, or abusive of the rights of their citizens lose legitimacy throughout much of the global community. Myanmar (until recent political developments), North Korea and Syria are all examples of countries that have lost global influencing power and standing in recent years because of the restrictions they impose on political freedom. Countries perceived as authoritarian, also earn a lower rating in this index. In contrast, other RGM countries, such as the Czech Republic and Estonia, earn high global status because of their proven records of protecting and upholding their citizens’ freedoms.

Voter turnout

Voter turnout is measured as the percentage of the voting age population that voted in recent national parliamentary or presidential elections. Low voter participation rates generally reflect a population that feels politically disenfranchised. For example, in the last election held during Hosni Mubarak’s regime in Egypt, voter turnout was only 16%. Other totalitarian regimes, such as North Korea and Syria, have also lost credibility in the global community. In contrast, Brazil, India and other RGM countries that have strong voter participation rates and vibrant democracies, are commonly admired and acquire more global status and integrity than governments elected on a low voter turnout. However, the effect of voter turnout is not always clear cut. For example, China is able to mitigate the negative impact of its lack of voter participation by its strength in other soft power areas.

CO₂ emissions

The environment and policies of sustainability have, until very recently, been at the forefront of the issues faced by the global community. Countries that make serious headway in reducing emissions earn admiration from other countries as well as influence in the field of environmental policy. Equally, countries that continue to increase their CO₂ emissions tarnish their image – especially those that pollute on a large scale. Total CO₂ emissions



(not adjusting for population) are used as an indicator because the global community and neighboring countries are primarily concerned about aggregate emissions.

Although an important factor in a country's image, the concern over CO₂ emissions has diminished considerably in recent years, as the world struggles through a global recession and the resulting slow growth. Consequently, CO₂ emission levels have recently played less of a role in a country's soft power.

Global integration

Global integration gauges how interconnected a country is with the rest of the world. The number of people who come to visit, study or live in a country and how well a country is able to communicate with the world are the key components behind a country's connectivity with the rest of the world and its subsequent ability to wield influence.

Immigration

Immigration measures the total number of foreign-born immigrants residing in a country. The greater the number of immigrants residing in a country, the greater that country's soft power. People "vote with their feet" and high levels of immigration show global interest and admiration for a country as well as its growing influence. Immigration allows exposure to the host country's values and ideology, and is particularly important because of the long-term and permanent change it can have on attitudes. Considering that only 3% of the world's population currently resides outside their native countries, a large foreign-born population is an important indicator of soft power.

For example, Russia attracts a large number of immigrants from the former Soviet republics that comprise the Commonwealth of Independent States (CIS). This demonstrates considerable soft power in that region. The large number of immigrants flocking to Russia from parts of Central Asia reflects the shared values and strong interest Russia has in the region.

Tourism

Tourism measures the world's interest in a host country's history, culture and people. Changing volumes of inbound tourism is an effective gauge of changing interest in a host country. Large inbound tourism and the subsequent high exposure to the global community is typically a good indicator of one element of soft power. For example, China, Costa Rica and Croatia have witnessed significant increases in their tourist arrivals as foreign interest in these countries has heightened.

University ranking

The University ranking is calculated from the total accumulated score a country achieves from its universities that are ranked on the *Times Higher Education World University Rankings* index. The rankings measure both the quality and quantity of a nation's universities. An important component of this index is the degree of "internationalization," or the number of inbound foreign students and the number of outgoing host country students studying abroad. Premier institutions are often magnets for students from other countries. Moreover, students that are well educated typically have high exposure and connectivity to the global community, which elevates the host country's soft power.

English fluency

For the RGMs, the ability to communicate and integrate with the rest of the world, especially the US and other OECD countries, is an important part of establishing soft power. English has become the world's undisputed global language, permeating global business, modern communication and culture. Consequently, the level of a country's fluency in English is an important indicator of soft power, especially for the RGMs. India is a prime example of the advantages gained from broad English fluency. Its large English-speaking population gives India an advantage over other RGMs, most of which do not possess the same ability to integrate and communicate with the English-speaking world.

Results: country analyses

The results for the top 10 EM/RGMs' economies from 2005 to 2010, ranked by soft power, are presented in Table 1 (Appendix II has a list of the top 20 EMs).⁹ China easily wins the soft power race among the RGMs, with a score 10 points higher than India's.¹⁰ India and Russia run a close second and third, respectively, with Brazil and Turkey rounding off the top five. The economies of emerging Eastern Europe comprise the largest number (10 countries) in the top 20, while Central and South America combined have five. The entire continent of Africa has only one country in the top 20 (South Africa).

Table 1

		EM soft power index results					
Rank	Country	2005	2006	2007	2008	2009	2010
1	China	31.1	32.2	32.2	32.2	33.7	30.7
2	India	22.6	21.5	21.9	26.7	22.6	20.4
3	Russia	22.9	18.4	22.9	21.0	23.5	18.0
4	Brazil	5.9	6.0	9.3	12.7	9.7	13.8
5	Turkey	10.3	12.5	11.4	14.4	10.3	12.9
6	Mexico	10.0	11.8	11.8	17.1	19.3	11.5
7	South Africa	13.0	10.0	8.5	12.6	11.8	10.3
8	Hungary	12.2	11.1	7.4	9.2	9.2	10.0
9	Czech Republic	8.5	9.2	9.2	9.2	10.7	9.6
10	Slovakia	7.0	7.4	6.6	6.6	7.0	9.2

9. Data available precluded the construction of an adequate index pre-2005.

10. The soft power index, for both the EM and DM countries, is scaled from 0 to 100.

The results among the top 10 are highly correlated with GDP size, with the BRIC countries ranked in the top four. For various reasons, scale – GDP and population size – can obviously be an important driver of soft power. For example, the number of tourists, universities, immigrants and admired companies are often a function of scale, not to mention the size of a country's royalty payments. In fact, among the 30 largest EM economies in 2010, a 75% correlation between GDP and soft power was found. While that leaves plenty of room for other factors to affect soft power, it does show that economic size (hard power) significantly drives soft power.

Another critical observation about this index is that, for most countries, there is relatively little variation across the sample period. While year-on-year changes in the rankings occur, the absolute changes are not large – an indication that soft power typically takes many years to acquire or lose ground.

Country analyses

The following section summarizes the results for the top ranked soft power RGM economies in 2010.

China

The rise in China's hard power in recent years and decades has been nothing short of spectacular. During the six-year span of our sample period, China's real GDP has more than doubled. In 2010, China's economy was almost three times larger than Brazil's (the second-largest EM economy). While China's defense budget is not made public, Western analysts believe it has increased fourfold¹¹ during the past decade. At an estimated US\$114 billion in 2010, it is now twice the size of defense spending in the UK¹² or France. In short, China's rise in hard power has had no equal during the past decade.

Nevertheless, what about China's "second face of power." Among a large sample of EM countries, China was found to have maintained a consistent dominance in soft power (although it did slip three points in 2010). In contrast to a rapid rise in its hard power over the sample period (10% economic growth and becoming the world's second-largest economy), China's soft power held steady, falling by only 0.4 points.

The strength of China's soft power within the emerging world is primarily driven by the growth of its multinational corporations (i.e., Most admired companies); increased Tourism (51 million tourists in 2009 compared with just five million for both Brazil and India); and the rapid expansion and ranking of its universities (China was first among all EMs in all three of these categories). Furthermore, China has boosted its relative soft power ranking with high marks in its recent Olympic performances; modest increases in its exports royalties (i.e., film and music) and growing interest in its language (US college Chinese language enrollments increased 80% from 2002 to 2009).

The ranking categories where China scores below sample average are Freedom, Voter turnout and CO₂ emissions (China overtook the US as the world's largest polluter in 2008). China also ranks below average (although to a lesser degree) in English as fluency language learners (it has an ambitious English language program but cannot compete yet against India's level of fluency); Rule of law (corruption remains high); and Immigration. While hundreds of thousands of the Chinese diaspora community have returned in recent years, net migration is still heavily outbound.

Unlike any of the other RGMs (including India), China's soft power is primarily derived from its economic might. China's economic wealth allows it to pour immense resources behind its soft power investments. For example, its establishment in recent years of thousands of cultural and Chinese language centers has helped disseminate its language and cultural awareness. China's support of international students has recently lifted the number of foreign students studying in China to 250,000. The State has also heavily subsidized its athletes, resulting in more Olympic success.

Some polls now list no Chinese universities ranked in the Global 100, but the Chinese still score high in this category because of the sheer number of universities. China's dominance of the most admired companies list is due to this variable being driven mostly by the highly visible rapid global expansion of its large state-owned companies, rather than their financial performance.

11. Stockholm International Peace Research Institute (SIPRI).

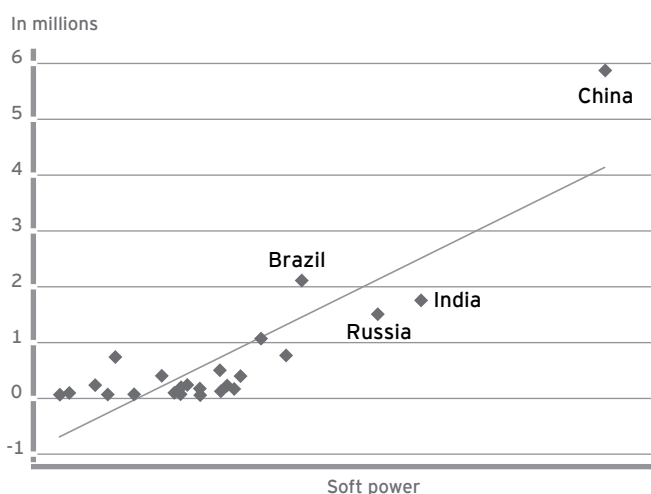
12. Stockholm International Peace Research Institute (SIPRI).

Results: country analyses

Figure 1 provides the “best fit” line for real GDP and soft power for the 30 largest EM economies. The correlation coefficient between the two variables is 86%.¹³ The majority of EM countries have comparably small GDPs, with soft power rankings ranging from zero to 10 (i.e., few EM countries have any soft power to speak of). Countries lying above the regression line are hitting below their “economic weight” relative to their soft power score. Those below the line are punching above their weight. Countries lying on the regression line possess soft power (relative to their GDPs) proportional to the average of all 30 countries. Figure 1 provides an excellent visual illustration of how little soft power China has relative to its size within the emerging world, which offers an opportunity to expand its soft power in the coming years and decades.¹⁴

Figure 1

GDP and soft power – China is an outlier



Source: EIU, SIEMS' calculations.

India

India ranked second in soft power in 2010, although it has been trading second place with Russia on and off since 2005. Not surprisingly, knowledge of English is one of its two highest-ranking contributions, giving the large Indian diaspora community living in the West an unparalleled advantage. One-third of Silicon Valley start-ups are reportedly established by Indians¹⁵ – an impossible task without fluency in English. The second-highest contribution is from the *TIME* 100 list, which has been dominated by prominent Indian businessmen. In addition, India performed relatively high in the Rule of law, Freedom index and Immigration categories (some of the Indian diaspora has been returning in recent years). India still ranks above average in Rule of law but it has recently dropped, reflecting the view that India needs to take action to tackle corruption. Bollywood's exports to the large Indian expatriate community helped India score above average in royalties.

A category in which India fared relatively poorly is Voter turnout, even though voter participation is generally quite high in state and local elections (not captured in our index). Interestingly, India scored relatively poorly in its University rankings as well. While the Indian Institutes of Technology (IIT) and Indian Institutes of Management (IIM) are global brands whose graduates run some of the world's largest companies and institutions, the majority of its universities remain poorly funded, produce little research and attract few international students.

Despite its massive size and population, India does not attract many tourists, mainly because of its poor infrastructure, shortage of trained resources and excessive formalities for visiting various locales. India also has never put many resources behind its Olympic athletics. Moreover, its major language, Hindi, is not well studied throughout the world. India also scored below average on Most admired companies, which comes as a surprise. Its private service-oriented companies have attracted more attention in recent years. While the above factors weaken India's global soft power, a continuation of strong economic growth over time should eventually countervail this trend.

After peaking at 26.7 in 2008, India's soft power index fell sharply to 20.4 in 2010 (the largest decline of any EM economy) – Rule of law, Voter turnout and University Ranking accounted for the decline.

13. The R², or the coefficient of determination, in this case would be 0.74, meaning that GDP explains a little over half of the variation in soft power between countries.

14. We found zero correlation between GDP growth (current and lagged one and two years) and changes in soft power, an indication that it probably takes some time to accumulate soft power from the indirect effects of stronger economic growth (i.e., the scale effect).

15. “Silicon Valley Expats Spur Innovation in India”, Yale Global Online, <http://yaleglobal.yale.edu>, accessed 2 September 2010.



Russia

Russia was ranked a respectable third among the EMs in soft power in 2010. Interestingly, much of Russia's soft power strength is Immigration, which accounted for approximately one-quarter of its total. A big part of the population coming into Russia includes ethnic Russians who were born in other CIS countries. These ethnic Russians have been returning to Russia at a steady pace since the breakup of the Soviet Union in 1991. While the degree of soft power that Russia possesses on a global scale is arguably small, Russia still has enormous influence (both soft and hard) throughout most of the CIS region, much of it coming from the 35 million Russians living there. Outside the CIS region, however, Russia seems to possess little in the way of soft power.

Besides Immigration, Russia scores high among the EMs in Tourism and Olympic performance. While its Olympic performance has recently slipped (a reflection of the collapse in funding that occurred last decade), it continues to score relatively well.

Factors limiting Russia's soft power ranking include consistently low scores in English fluency, Russian language enrollment by university students in other countries and business admiration. According to Freedom House, Russia receives low scores in Freedom, although relatively better in Rule of law.

There is no doubt that Russia's hard power has increased during the past decade. Its economy was approximately five times larger in 2010 than it was in 2001 and its defense budget has doubled over the same period (to US\$53 billion in 2010, with big gains expected in the next few years). From 2005 to 2010, however, Russia's soft power fell almost five points – the second largest decline among the top 50 EM countries. Fewer icons in the *TIME* 100 Most Influential People list, large setbacks in University ranking and declining Olympic performance were primarily responsible for the drop.

Russia has a positive outlook looking into the future as it will host the 2013 Universiade in Kazan, the 2014 Winter Olympics in Sochi and the World Football Cup in 2018, all of which should be expected to impact the country's soft skills set, including Language enrollment, Tourism, etc.

Brazil

Brazil is a country on the move. Its hard power has improved in recent years (primarily through much faster economic growth), and its global image also seems to be on the upswing (Brazil has won host status for the 2014 World Cup and 2016 Summer Olympics). Our soft power index bears out this perception. Brazil has the distinction of improving its soft power the most of any RGM country over our sample period. Its soft power jumped from 5.9 to 13.8, moving it from 16th to fourth place. Brazil now scores well above average among the RGMs in Voter turnout, Freedom, media exports and Olympic competition. Brazil outperformed world averages in five of the most competitive categories (i.e., where the world averages were the highest). In contrast, China and India (and to a lesser extent Russia) gained soft power primarily through their dominance in categories in which the rest of the world simply cannot compete given their scale.

Contrary to popular image, Brazil's performance in Immigration and Tourism is relatively poor. In fact, Brazil scores below average in both categories among the RGMs. Brazil's weakest category, University ranking, will hurt both its hard and soft power for years to come. For three out of the last six years, it did not have a single university ranked in the global top 200. Brazil's lack of command of English hurts too, further isolating it from the rest of the world.

Turkey, Mexico and South Africa

In our soft power index, Turkey, Mexico and South Africa scored the next highest, placed behind the four high-ranking BRICs. Soft power in all three countries is driven by strong Rule of law and Freedom scores. Tourism is strong in both Mexico and Turkey. Media exports and Language enrollment (for Spanish) is strong for Mexico, while Language enrollment and Voter turnout is exceptionally strong in Turkey.

South Africa has lost a sizeable three points since 2005, driven mostly by a weaker performance of its iconic image (*TIME* 100) and by the failure of its companies to retain their places on *Fortunes'* Most admired companies list. South Africa has made strides recently in Immigration and the quality of its universities. Given South Africa's size and relatively new, but solid, democratic institutions, it receives a boost to its soft power from its regional leadership in sub-Saharan Africa. Conversely, much of Mexico's soft power, such as Tourism and Language enrollments, is built on its proximity and relationship to the US.



The RGMs versus the G7

Using identical variables and weights to those used for the RGMs, soft power was calculated for each of the G7 nations. The G7 nations were chosen specifically because they dominated global soft power during much of the post-World War II period. Table 2 combines each G7 nation with the larger RGMs countries discussed in the previous section.

Anecdotally, one would have expected the past six years to have taken their toll on US soft power. The US has been blamed for the recent global financial crisis, giving rise to discussions on the performance of Wall Street institutions, Washington politicians and regulators (not to mention the protracted conflict in Iraq over the sample period). However, the data does not support this case. The US scored 87 in 2010, a full 37 points ahead of second place France and an enormous 56 points over China. The US has gained a net three points in soft power since 2005, although it has lost a little ground since 2008. These results clearly indicate that the US remains totally dominant and undisputed worldwide in soft power. The US and European figures also corroborate soft power's durability. Once accumulated by a country, soft power has staying power.

Table 2

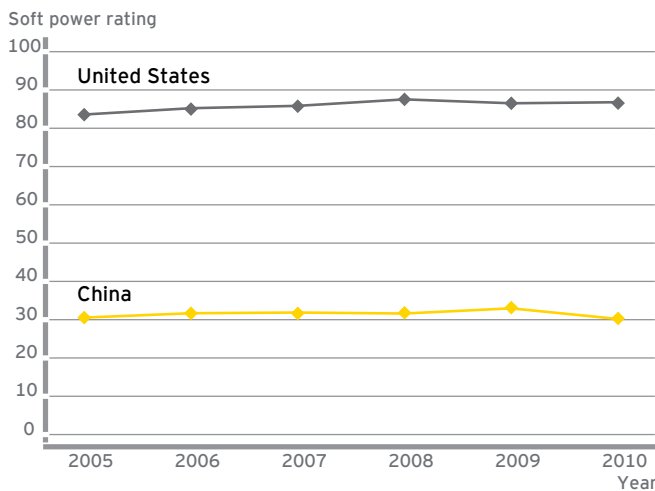
The top soft powers						
Country	2005	2006	2007	2008	2009	2010
US	84.0	85.5	86.3	88.1	87.0	87.0
France	49.7	48.4	50.3	49.6	49.6	49.5
Germany	44.0	46.6	46.6	45.8	44.0	43.2
United Kingdom	46.0	45.9	46.3	46.0	46.7	43.0
Canada	36.0	39.4	38.6	36.8	35.3	39.0
Italy	33.0	34.6	33.9	34.6	34.2	32.0
Japan	36.9	36.5	35.4	34.7	32.5	31.8
China	31.1	32.2	32.2	32.2	33.7	30.7
India	22.6	21.5	21.9	26.7	22.6	20.4
Russia	22.9	18.4	22.9	21.0	23.5	18.0
Brazil	5.9	6.0	9.3	12.7	9.7	13.8
Turkey	10.3	12.5	11.4	14.4	10.3	12.9
Mexico	10.0	11.8	11.8	17.1	19.3	11.5
South Africa	13.0	10.0	8.5	12.6	11.8	10.3

For the US, Immigration and Universities (see Appendix III for a breakdown of the largest countries) provided the biggest boost to soft power, followed by Freedom, *TIME* 100, Most admired companies, Rule of law and Tourism. The only component to slip in recent years has been Rule of law. The US scored low in only two categories, CO₂ emissions and Voter turnout. Not surprisingly, the remaining G7 countries scored high on Freedom and Rule of law (Italy was the exception, scoring low on rule of law). France's top soft power contributor was Tourism.

Like China, the US derives a good share of its soft power from its enormous size (i.e., the scale effect). But in contrast to Chinese soft power, the US also derives much of its ranking in the index from the Freedom category.

Figure 2

US and China soft power



With the exception of China, the G7 nations maintain considerable margins in soft power over the highest-ranking RGM nations. While the RGMs countries have been enjoying an enormous economic growth advantage in recent years as the Eurozone has been hit by crisis, the RGMs still cannot match "old" Europe, Japan or US soft power. China's soft power, on the other hand, is now essentially at parity with Italy and Japan.





China's soft power: looking ahead

China has devoted significant resources in recent years to an attempt to augment its soft power. In 2009-10, it created several hundred Confucius Institutes around the world to teach its language and culture, and invested US\$9 billion in "external publicity work" that included a 24-hour cable news channel designed to imitate Al Jazeera.¹⁶ Beijing has also been granting low interest loans to African and Latin American countries and building major projects in these territories.

Some of China's efforts have paid dividends. The enrollment of foreign students in China tripled over the past decade, while the number of foreign tourists increased dramatically. More Westerners are studying Mandarin. The money spent in the developing world has also given China more goodwill in some areas (although there has been some backlash). Moreover, it is probably fair to say that during the ongoing economic crisis, the "Beijing Consensus" on authoritarian governments with successful market economies, looks more appealing in some circles than the "Washington Consensus" of liberal economies with democratic governments.¹⁷

That said, there are considerable limits to Chinese soft power. Even if the authoritarian growth model has created some soft power for China in other authoritarian countries, it has little attraction for democratic countries. Moreover, the downsides of China's single-minded emphasis on economic growth (hard power) are

becoming more apparent. Corruption, environmental degradation and rapidly increasing income inequality can be significant triggers of social unrest.

The Americans are taking a major interest in the Pacific, given China's new military muscle in the region. The flexing of this military muscle is beginning to reduce Beijing's soft power in the Pacific. For all their efforts to spend lavishly to create competitors for CNN and the BBC, there is little international audience for content that seeks to toe the official party line.¹⁸ India's Bollywood films also continue to command a far greater international audience than Chinese films.

China's Government appears set to continue flexing its new economic muscle in an attempt to elevate its soft power, but it remains to be seen what else China has to offer. While Western businessmen are heading East to make their fortunes, 60% of Chinese businessmen with fortunes of more than US\$10m had either considered emigrating from China or had already completed the process.¹⁹

16. Joseph Nye, *American and Chinese Power after the Financial Crises*. (The Washington Quarterly, September 2010).

17. Joseph Nye, *American and Chinese Power after the Financial Crises*. (The Washington Quarterly, September 2010).

18. Joseph Nye, "Why China Is Weak on Soft Power," "The Opinion Pages", *The New York Times* website, http://www.nytimes.com/2012/01/18/opinion/why-china-is-weak-on-soft-power.html?_r=1, published 17 January 2012.

19. Figures from management consultancy firm, Bain. Quotation from "Rich Chinese consider leaving China." *The Telegraph*, 21 April 2011.

Conclusions

It appears that the post-2008 recession and ensuing economic crisis among most of the developed economies has accelerated their relative decline against the developing world – a trend that was already set in motion a decade ago. Despite the rapid diminution of their hard power, the West (particularly the United States) is maintaining a critical element of global power that may be intangible and difficult to quantify, although its impact is unambiguously palpable. As the Arab Spring has illustrated, democracy, strong institutions and political freedom are universally admired and still very much in the ascendancy. Corruption, the scourge of the emerging world, is increasingly seen as an indicator of the downfall of moral values and not the unfortunate side effect of doing business.

The policy implications for the developing world should be obvious. The RGMs will need to emulate the West in many respects to accumulate soft power commensurate with their hard power in the coming years and decades. The “civil society” that permeates the West, but is often lacking in much of the emerging world, can only be developed by strengthening a country’s institutions and rule of law. Corruption will have to be tackled sooner rather than later. Improving the quality of education is also critical because it is the factor that eventually impacts upon many of the soft power variables discussed in this paper. Increasing the number of Most admired companies as well as their ranking in terms of the Tourism variable, will also play a key role in the success of RGMs. These transitions will obviously prove challenging, but if those EMs that need to reform merely maintain the status quo, they risk reducing their global prestige and influence, despite the rapid ascendancy of hard power.

That said, the soft power balance has the potential to change more rapidly in the coming years than it has in the past.

A continuation of the political gridlock and anemic economic growth that currently characterizes the United States and Europe would eventually take its toll on the world’s desire to emulate Western institutions, openness and cultural attributes. Political stasis and economic stagnation eventually impinged on Japan’s rising soft power.

In short, today’s economic and political environments are fluid. If the decline of the West is rapid and absolute, rather than slow and relative, the shift in soft power toward the developing world may be faster than anyone has anticipated.

Appendix

Appendix 1

Variable data sources and weights

	Variables	Weights	Data sources	Countries	Range	Frequency	Unit	Notes
1	CO ₂ emissions	3.75	United Nations statistics	230	1990-2009	Annual	CO ₂ million metric tons	Emissions from energy consumption
2	Freedom index	7.5	Freedom House index	150	1990-2010	Annual	0-14 scale on human rights indicators	
3	Most admired companies	11	<i>Fortune</i> magazine	28	2006-11	Annual	Accumulated score of ranked companies	Scoring different for 2006
4	Olympics	3.75	International Olympic Committee	75	1992-2010	Biennial	Medals won	Averaged over last four years
5	<i>TIME</i> 100 most influential people	7.5	<i>TIME</i> magazine	52	2004-11	Annual	Number of citizens ranked	Infrequent observations except for the US
6	University rank	11	<i>Times Higher Education</i>	35	2004-11	Annual	Accumulated score of ranked schools	
7	Tourism arrivals	11	World Tourism Organization (UNWTO)	154	1995-2010	Annual	Arrivals of tourists (thousands)	
8	Language enrollments	3.75	MLA language database	71 (MLA)	1998-2009	Every 2-3 years	Students enrolled for a foreign language	Tertiary level
			Eurostat	15 (EuroStat)	1998-2007	Annual	Students enrolled for a foreign language	Secondary/English only
9	Voter turnout	7.5	Institute of Democracy and Election Assistance	150	1990-2010	Varies by country	% of voting age population that voted	Rolling average for presidential and parliamentary
10	Media exports	3.75	UNACTD	150	1990-2009	Annual	Royalties and fees paid for exported media goods	
11	English fluency	7.5	National Census Reports, Surveys, and Cambridge Encyclopedia of the English Language	76	2000-07	One time	Population that speaks English (first and second language)	Data compiled from various sources by Wikipedia
12	Rule of law	11	World Bank governance indicators	95	1996-2010	Annual	-2 to 2 index scale	
13	Immigration	11	United Nations population division	83	2005-10	Quinquennial	Number of international migrants at mid-year	Averaged for three-year spans

Appendix 2

		EM soft power index results					
Rank	Country	2005	2006	2007	2008	2009	2010
1	China	31.1	32.2	32.2	32.2	33.7	30.7
2	India	22.6	21.5	21.9	26.7	22.6	20.4
3	Russia	22.9	18.4	22.9	21.0	23.5	18.0
4	Brazil	5.9	6.0	9.3	12.7	9.7	13.8
5	Turkey	10.3	12.5	11.4	14.4	10.3	12.9
6	Mexico	10.0	11.8	11.8	17.1	19.3	11.5
7	South Africa	13.0	10.0	8.5	12.6	11.8	10.3
8	Hungary	12.2	11.1	7.4	9.2	9.2	10.0
9	Czech Republic	8.5	9.2	9.2	9.2	10.7	9.6
10	Slovakia	7.0	7.4	6.6	6.6	7.0	9.2
11	Poland	6.2	6.2	7.7	8.1	8.8	9.2
12	Estonia	7.0	8.1	8.1	8.1	8.1	8.1
13	Ukraine	9.2	9.9	10.3	10.3	10.7	8.1
14	Chile	8.1	8.1	6.6	11.1	7.4	7.4
15	Romania	5.9	6.7	5.9	5.9	7.0	7.0
16	Lithuania	4.8	5.5	4.8	5.5	6.2	7.0
17	Croatia	6.6	5.5	7.4	6.6	6.6	6.6
18	Argentina	5.6	5.9	5.9	5.9	4.8	5.9
19	Costa Rica	2.1	2.1	2.1	2.1	2.9	4.4
20	Indonesia	3.7	3.0	4.1	5.2	5.2	3.3

Appendix 3

Variable contribution to soft power by country (in %)

	China					
Category	2005	2006	2007	2008	2009	2010
Admired co.	20.7%	20.3%	20.3%	20.3%	19.7%	20.9%
Tourism	20.7%	20.3%	20.3%	20.3%	19.7%	20.9%
University	20.7%	20.3%	20.3%	20.3%	19.7%	20.9%
Rule of law	10.4%	10.1%	10.1%	10.1%	9.9%	10.4%
TIME 100	14.1%	13.8%	13.8%	9.7%	13.5%	8.5%
Olympics	4.9%	4.8%	4.8%	6.9%	6.7%	7.1%
Media exports	1.4%	2.8%	2.8%	4.8%	3.4%	3.6%
Language	1.4%	2.1%	2.1%	2.1%	2.0%	2.1%
Immigration	2.1%	2.0%	2.0%	2.0%	2.0%	2.1%
Freedom	1.4%	1.4%	1.4%	1.4%	1.3%	1.4%
ESL*	1.4%	1.4%	1.4%	1.4%	1.3%	1.4%
CO ₂	0.7%	0.7%	0.7%	0.7%	0.7%	0.7%
Voter turnout	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

* English as a second language

	Russia					
Category	2005	2006	2007	2008	2009	2010
Immigration	24.5%	27.3%	24.5%	25.6%	24.2%	27.5%
Tourism	12.3%	10.9%	12.3%	12.8%	14.5%	13.8%
Voter turnout	10.0%	11.2%	10.0%	10.5%	9.9%	11.3%
Rule of law	7.4%	10.9%	7.4%	10.2%	9.7%	11.0%
CO ₂	6.7%	7.4%	6.7%	7.0%	6.6%	7.5%
Olympics	8.4%	9.3%	8.4%	7.9%	7.4%	7.5%
Media exports	3.3%	5.6%	4.2%	5.2%	4.9%	5.6%
Freedom	5.0%	5.6%	5.0%	5.2%	4.9%	5.6%
TIME 100	11.7%	0.0%	13.4%	7.0%	4.9%	3.8%
Admired co.	2.5%	2.7%	4.9%	2.6%	4.8%	2.8%
Language	1.7%	1.9%	1.7%	1.7%	1.6%	1.9%
ESL	1.7%	1.9%	1.7%	1.7%	1.6%	1.9%
University	4.9%	5.5%	0.0%	2.6%	4.8%	0.0%

	India					
Category	2005	2006	2007	2008	2009	2010
ESL	16.8%	17.3%	17.1%	15.4%	16.8%	17.7%
TIME 100	6.7%	5.2%	13.7%	15.4%	10.1%	17.7%
Rule of law	17.3%	17.7%	17.5%	15.8%	17.3%	15.6%
Freedom	13.5%	13.8%	13.7%	12.3%	13.5%	14.1%
Immigration	12.3%	12.7%	12.5%	11.3%	12.3%	13.0%
CO ₂	6.7%	6.9%	6.8%	6.2%	6.7%	7.1%
Voter turnout	10.1%	10.4%	10.3%	9.2%	6.7%	5.3%
Media exports	2.5%	1.7%	1.7%	1.5%	2.5%	2.7%
Tourism	2.5%	2.5%	2.5%	4.5%	4.9%	2.6%
Admired co.	0.0%	0.0%	2.5%	2.3%	2.5%	2.6%
Olympics	0.8%	0.9%	0.9%	0.8%	0.8%	0.9%
Language	0.8%	0.9%	0.9%	0.8%	0.8%	0.9%
University	9.9%	10.1%	0.0%	4.5%	4.9%	0.0%

	Brazil					
Category	2005	2006	2007	2008	2009	2010
Voter turnout	24.2%	24.2%	24.0%	19.5%	21.3%	21.0%
Freedom	21.5%	24.2%	21.6%	19.5%	21.3%	18.9%
Rule of law	19.7%	19.7%	17.6%	15.9%	20.9%	18.5%
CO ₂	13.4%	13.4%	12.0%	10.8%	11.8%	10.5%
Media exports	2.7%	4.0%	4.8%	6.5%	7.1%	6.3%
TIME 100	0.0%	0.0%	0.0%	8.7%	0.0%	6.3%
Admired co.	0.0%	0.0%	0.0%	3.2%	3.5%	6.2%
Olympics	2.7%	2.7%	2.4%	3.2%	3.6%	3.1%
Tourism	3.9%	3.9%	3.5%	3.2%	3.5%	3.1%
Immigration	3.9%	3.9%	3.5%	3.2%	3.5%	3.1%
ESL	2.7%	2.7%	2.4%	2.2%	2.4%	2.1%
Language	1.3%	1.3%	1.2%	1.1%	1.2%	1.0%
University	3.9%	0.0%	7.0%	3.2%	0.0%	0.0%



	Turkey					
Category	2005	2006	2007	2008	2009	2010
Rule of law	23.9%	22.3%	23.1%	21.2%	23.9%	22.1%
Voter turnout	18.6%	17.4%	18.0%	16.5%	18.6%	17.2%
Tourism	17.0%	15.9%	16.5%	15.1%	17.0%	15.8%
Freedom	16.3%	15.2%	15.7%	14.4%	16.3%	15.1%
CO ₂	11.6%	10.9%	11.2%	10.3%	11.6%	10.8%
Immigration	6.8%	6.4%	6.6%	6.0%	6.8%	6.3%
TIME 100	0.0%	6.5%	0.0%	8.2%	0.0%	4.3%
Admired co.	0.0%	0.0%	3.3%	3.0%	0.0%	3.2%
Olympics	2.3%	2.2%	2.2%	2.1%	2.3%	2.2%
ESL	2.3%	2.2%	2.2%	2.1%	2.3%	2.2%
Language	1.2%	1.1%	1.1%	1.0%	1.2%	1.1%
Media exports	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
University	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%

	US					
Category	2005	2006	2007	2008	2009	2010
Immigration	13.1%	12.9%	12.8%	12.5%	12.6%	12.6%
University	13.1%	12.9%	12.8%	12.5%	12.6%	12.6%
Admired co.	13.1%	12.9%	12.8%	12.5%	12.6%	12.6%
Rule of law	9.2%	10.3%	10.2%	11.2%	10.1%	10.1%
Tourism	9.2%	9.0%	8.9%	10.0%	10.1%	10.1%
Freedom	8.9%	8.8%	8.7%	8.5%	8.6%	8.6%
TIME 100	8.9%	8.8%	8.7%	8.5%	8.6%	8.6%
ESL	8.9%	8.8%	8.7%	8.5%	8.6%	8.6%
Media exports	4.5%	4.4%	4.3%	4.3%	4.3%	4.3%
Olympics	4.5%	3.9%	3.9%	4.3%	4.3%	4.3%
Language	4.5%	4.4%	4.3%	4.3%	4.3%	4.3%
Voter turnout	1.8%	2.6%	3.5%	2.6%	2.6%	2.6%
CO ₂	0.4%	0.4%	0.4%	0.4%	0.4%	0.4%

	South Africa					
Category	2005	2006	2007	2008	2009	2010
Rule of law	22.0%	24.1%	25.3%	22.3%	22.8%	23.8%
Freedom	21.4%	23.5%	22.1%	19.5%	20.0%	20.9%
Voter turnout	12.9%	14.1%	12.3%	10.8%	11.1%	13.9%
CO ₂	10.7%	11.7%	12.3%	10.8%	11.1%	11.6%
TIME 100	15.0%	7.0%	7.4%	15.2%	13.3%	7.0%
Tourism	6.3%	6.9%	7.2%	6.4%	6.5%	6.8%
Immigration	3.1%	3.4%	3.6%	6.4%	6.5%	6.8%
University	0.0%	0.0%	3.6%	3.2%	3.3%	3.4%
ESL	2.1%	2.3%	2.5%	2.2%	2.2%	2.3%
Media exports	1.1%	1.2%	1.2%	1.1%	1.1%	1.2%
Olympics	1.1%	1.2%	1.2%	1.1%	1.1%	1.2%
Language	1.1%	1.2%	1.2%	1.1%	1.1%	1.2%
Admired co.	3.1%	3.4%	0.0%	0.0%	0.0%	0.0%

	France					
Category	2005	2006	2007	2008	2009	2010
Tourism	22.1%	22.7%	21.9%	22.2%	22.2%	22.2%
Rule of law	15.5%	15.9%	15.3%	15.5%	15.5%	17.8%
Freedom	15.1%	15.5%	14.9%	15.1%	15.1%	15.1%
Voter turnout	12.1%	10.8%	13.4%	13.6%	13.6%	12.1%
Media exports	7.5%	7.7%	7.5%	7.6%	7.6%	7.6%
CO ₂	7.5%	7.7%	7.5%	7.6%	7.6%	7.6%
Immigration	4.4%	4.5%	4.4%	4.4%	4.4%	4.4%
Language	4.5%	4.3%	4.1%	4.2%	4.2%	4.2%
Olympics	3.0%	2.3%	2.2%	3.0%	3.0%	2.3%
Admired co.	4.4%	4.5%	4.4%	2.2%	2.2%	2.2%
University	0.8%	0.8%	1.5%	1.5%	1.5%	1.5%
TIME 100	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%
ESL	1.5%	1.5%	1.5%	1.5%	1.5%	1.5%

	Canada					
Category	2005	2006	2007	2008	2009	2010
Rule of law	24.4%	25.1%	25.6%	26.9%	28.1%	25.4%
Freedom	20.8%	19.0%	19.4%	20.4%	21.3%	19.2%
Voter turnout	12.5%	9.5%	9.7%	10.2%	10.6%	9.6%
CO ₂	9.4%	8.6%	8.7%	9.2%	10.6%	9.6%
Tourism	9.2%	8.4%	8.5%	9.0%	6.2%	8.5%
Olympics	1.0%	8.6%	8.7%	2.0%	2.1%	6.7%
Immigration	6.1%	5.6%	5.7%	6.0%	6.2%	5.6%
University	6.1%	5.6%	5.7%	6.0%	6.2%	5.6%
Admired co.	3.1%	2.8%	2.8%	3.0%	3.1%	2.8%
ESL	2.8%	2.5%	2.6%	2.7%	2.8%	2.6%
TIME 100	2.1%	1.9%	0.0%	2.0%	0.0%	1.9%
Language	1.6%	1.4%	1.5%	1.5%	1.6%	1.4%
Media exports	1.0%	1.0%	1.0%	1.0%	1.1%	1.0%

	Japan					
Category	2005	2006	2007	2008	2009	2010
Freedom	18.3%	18.5%	19.0%	19.4%	20.7%	21.2%
Rule of law	17.9%	21.1%	18.6%	19.0%	20.3%	20.8%
Voter turnout	14.2%	12.3%	12.7%	15.1%	16.1%	16.5%
CO ₂	8.1%	8.2%	8.5%	8.6%	9.2%	9.4%
Tourism	3.0%	3.0%	3.1%	3.2%	3.4%	6.9%
Language	3.6%	4.6%	4.8%	4.9%	5.2%	5.3%
Media exports	3.0%	3.1%	3.2%	3.2%	3.5%	3.5%
Immigration	3.0%	3.0%	3.1%	3.2%	3.4%	3.5%
University	6.0%	6.0%	6.2%	6.3%	6.8%	3.5%
Admired co.	14.9%	15.1%	15.5%	9.5%	3.4%	3.5%
TIME 100	2.0%	2.1%	2.1%	2.2%	2.3%	2.4%
ESL	2.0%	2.1%	2.1%	2.2%	2.3%	2.4%
Olympics	4.1%	1.0%	1.1%	3.2%	3.5%	1.2%

	Italy					
Category	2005	2006	2007	2008	2009	2010
Freedom	22.8%	21.7%	22.1%	21.7%	19.7%	21.1%
Voter turnout	22.8%	21.7%	22.1%	21.7%	21.9%	21.1%
Tourism	16.7%	19.1%	19.5%	19.1%	19.3%	20.6%
CO ₂	10.2%	9.7%	10.0%	9.8%	11.0%	11.7%
Immigration	3.3%	3.2%	3.2%	6.4%	6.4%	6.9%
Language	5.1%	5.4%	5.5%	5.4%	5.5%	5.9%
Admired co.	3.3%	3.2%	3.2%	3.2%	3.2%	3.4%
Rule of law	3.3%	3.2%	3.2%	3.2%	3.2%	3.4%
ESL	2.3%	2.2%	2.2%	2.2%	2.2%	2.3%
Olympics	3.4%	4.3%	4.4%	3.3%	3.3%	2.3%
Media exports	1.1%	1.1%	1.1%	1.1%	1.1%	1.2%
University	3.3%	3.2%	3.2%	3.2%	3.2%	0.0%
TIME 100	2.3%	2.2%	0.0%	0.0%	0.0%	0.0%



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The Moscow School of Management SKOLKOVO is a joint project between Russian and international business leaders, who joined their efforts to create a new-generation business school from scratch. Focusing on practical knowledge, the Moscow School of Management SKOLKOVO dedicates itself to training leaders who intend to implement their professional knowledge in rapidly developing markets. SKOLKOVO business school is defined by leadership and entrepreneurship, a focus on rapidly developing markets and an innovative approach toward educational methods.

The SKOLKOVO Institute for Emerging Market Studies (SIEMS)

The SKOLKOVO Institute for Emerging Market Studies (SIEMS) is a knowledge center at the Moscow School of Management SKOLKOVO that specializes in the research of emerging market economies and businesses. It provides a platform that attracts and links leading thinkers and experts from around the world, who can collaborate on studying timely and critical issues in emerging markets. Its research is rigorous, field-driven and comparative across emerging markets and offers practical, broadly applicable and valuable guidelines and frameworks for business leaders, entrepreneurs, policy-makers and academics.