

The Anholt Nation Brands Index

SPECIAL REPORT

Q1 2007



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Introduction

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The nation brand – how a country is seen by others – is an important concept in today's world. Globalisation means that countries compete with each other for the attention, respect and trust of potential consumers, investors, tourists, immigrants, the media and governments of other nations. A positive and strong nation brand provides a crucial competitive advantage. It is therefore very important for countries to understand how they are seen by publics around the world across key dimensions.

The **Anholt Nation Brands Index (NBI)** is the only analytical ranking of the world's nation brands. Each quarter, we poll our worldwide panel of over 25,000 people on their perceptions of the cultural, political, commercial and human assets, investment potential, and tourist appeal of over 35 developed and

developing countries. This adds up to a clear index of national brand power, a unique barometer of global opinion.

The Anholt Nation Brands Index measures the power and appeal of a nation's brand image, and tells us how people around the world see the character of that brand. The nation brand is the sum of the perceptions of a country and its people across six dimensions of national assets, characteristics and competence:

- Exports
- People
- Governance
- Tourism
- Culture and Heritage
- Immigration and Investment

Together, these dimensions form the Nation Brand Hexagon.

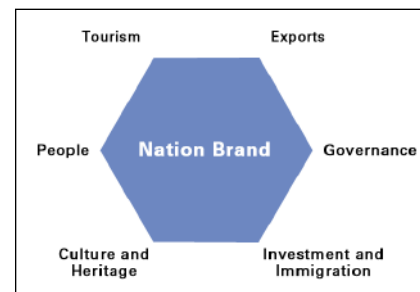


Fig. 1: The Nation Brand Hexagon
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Exports

At this point of the Hexagon, we ask consumers about their tendency to actively seek out or actively avoid products from each country, what marketers call the *country of origin effect*. We also ask what kinds of products people would expect to be produced in each country, and whether they think the country has particular strengths in science and technology.

Governance

Here, we ask respondents to score countries according to how competently and fairly they believe them to be governed, and how far they would trust their governments to make responsible decisions that uphold international peace and security. We explore people's perceptions of the government's behaviour towards the global environment and the reduction of poverty. We also ask them to choose a word that best describes the government in each country.

Culture and Heritage

At this point of the hexagon, we ask questions that are designed to measure perceptions of the country's cultural heritage, as well as people's appreciation of its contemporary culture, such as films, music, art and literature. We also ask about the country's sporting excellence. Lastly, we ask respondents

to choose what kind of cultural activity they most expect to find in each country.

People

The first question in this dimension asks survey respondents whether, in their view, people in the country would make them feel welcome. The country's reputation for openness and friendliness will have a bearing on this. So will the negative side of the coin: fear of encountering prejudice and discrimination.

To understand how the human capital of each country is viewed, we ask two questions. First, people imagine being managers needing to make an important hiring decision. They are asked to score countries according to the value of their people for such a job. Second, to balance this, we ask a non-business question: "How much would you like to have a close friend from the following country?" We also ask respondents to select the word that best describes the people in each country.

Tourism

Tourism is often the most visibly promoted aspect of a nation brand, and tourism assets have a disproportionate effect on people's perceptions of the country as a whole. At this point of the Hexagon, we first ask about tourism potential: how likely would people be to visit a country if money were no obstacle.

Two further questions address two aspects of a country that are usually important attractors of tourists: natural beauty and a rich built/historical heritage. Finally, we ask respondents to choose a word to describe the experience they think they would have when visiting each country.

Immigration and Investment

The final point on the hexagon is about a country's power to attract human and economic capital. Most people at some point in their lives consider living, working or studying in another country. Several aspects of a country's brand will govern these considerations. This is probably the point of the hexagon with the greatest complexity.

The first question asks people to score their willingness to live and work for a substantial period of time in each country. People's attitudes to immigration are coloured by a variety of factors. Prominent among them are the likelihood of finding a job and the overall attractiveness of the country as a place to live.

The second question tests opinions about a phenomenon that is becoming increasingly relevant in today's world. Respondents are asked to what extent they agree with the following statement: "This country is a good place to study for educational qualifications."

Finally, we ask respondents to pick the word which they think most accurately described each country's economic and social condition.

Appeal and visibility tend to go together in nation branding. Countries that are not well known are not usually viewed very positively. Iceland for example may be one of the world's richest nations per capita, and successful in other ways, but few people know enough about it to see it in really positive brand terms. In the Q1 2007 NBI, Iceland was ranked 20th.

The opposite is not always true: big, powerful nations such as the USA and China can attract negative perceptions, although the more well-known a country is, the more people are able to differentiate between the positive and negative aspects of its brand.

On the whole, people are most attracted to countries that project themselves strongly with clear, consistent messages about things that people value, such as competent government, friendly people and economic opportunity.

Most Improving Nations Brands



In the last quarterly report (Q4 2006), we commented on the process of change in nation brands. We pointed out that sustained change takes place slowly, over a number of years. It happens in three principal ways:

- A country can advance or fall back in one or more brand dimensions through gradual and complex economic and social processes. For example, China's economic growth is gradually contributing to the country being associated as having higher quality and more sophisticated products. On the other hand, reduced social cohesion leads to increased anti-social behaviour, which can damage the reputation of its people.
- Even if nations themselves don't change, people's values can and do, affecting the way they perceive nations. For example, there appears to be growing "green" consciousness among some sections of the world's population, benefiting those nations – such as Sweden – that have a good reputation for environmental responsibility.
- Nation brands – particularly in smaller countries – can be improved or damaged through the actions of governments. Despite China's economic progress, its overall score in the NBI is falling because of the unpopularity of its style of governance around the world. On the

other hand, improvements can be brought about by governments through comprehensive and coordinated brand strategies, as New Zealand has shown, and sometimes by well-marketed and managed global events, such as the summer Olympics or even the Soccer World Cup.

In last quarter's report (Q4 2006), we compared the results of the second half of 2005 and the same period in 2006. This indicated that in general, the gap between the dominant West European nation brands and those in the rest of the world was widening. Western countries generally have advanced, open economies and mature, democratic systems of government – all factors that contribute to a strong brand and which correlate with a desire to live and work in those countries. The Netherlands recorded the largest increase in overall score – 2.8% – over this period, while China saw a decrease in its score.

The comparison of the results from the two reports, however, revealed some nuances in this polarised picture:

- Brazil was the second most improving country overall, thanks largely to the softer brand components of culture, people and tourism.
- Two new EU member states – the Czech Republic and Poland – were also enjoying relatively big increases in their overall scores.

The Q1 2007 results shine even more light on these trends. Taking an average of the scores for each country between Q4 2005 and Q1 2006, and comparing them with the averages of Q4 2006 and

Changes in overall scores between Q4 2005/Q1 2006 and Q4 2006/Q1 2007

Brazil	2.9%
Poland	2.9%
Czech Republic	2.8%
United Kingdom	2.1%
Turkey	2.0%
Germany	1.2%
Ireland	0.9%
Egypt	0.8%
Argentina	0.6%
France	0.6%
South Africa	0.5%
Netherlands	0.3%
Australia	0.2%
Denmark	0.2%
Canada	0.1%
Russia	-0.4%
Spain	-0.4%
Portugal	-0.5%
Estonia	-0.8%
Norway	-1.0%
Switzerland	-1.1%
United States	-1.1%
Sweden	-1.1%
India	-1.2%
Japan	-1.4%
Belgium	-1.5%
Mexico	-1.5%
Italy	-1.8%
Singapore	-2.0%
Indonesia	-2.2%
Malaysia	-2.2%
Hungary	-2.4%
South Korea	-2.8%
China	-3.0%

Changes in scores for “live and work” question between Q4 2005/Q1 2006 and Q4 2006/Q1 2007

Denmark	7.8%
Netherlands	6.6%
Germany	6.6%
Sweden	6.0%
Switzerland	5.9%
Norway	5.9%
United Kingdom	5.6%
Poland	5.0%
Belgium	4.6%
Czech Republic	3.9%
France	3.3%
Canada	2.8%
Spain	2.6%
Australia	2.5%
Ireland	1.8%
Portugal	1.8%
New Zealand	1.8%
Brazil	1.5%
Turkey	-1.2%
Egypt	-1.8%
Japan	-1.9%
Argentina	-2.6%
Estonia	-2.7%
Italy	-2.8%
Hungary	-4.5%
South Africa	-4.5%
Singapore	-4.6%
United States	-5.8%
Russia	-7.4%
Mexico	-8.4%
India	-8.5%
Malaysia	-9.1%
South Korea	-10.1%
Indonesia	-11.5%
China	-13.1%

Q1 2007, we find that Brazil and Poland have continued their progress, and now top the improvement chart, both with a 2.9% increase in their overall scores over the 12-month period. The Czech Republic is the 3rd most improving nation with 2.8%, followed by the UK with 2.1%.

These may seem like small increases, but if sustained over a five-year period, they would lead to very significant advantages over competing nations. We need to bear in mind that the average change in overall score among the 35 nations in this period was negative (minus 0.3%).

The country with the biggest reduction in overall score – nearly 3% – over this 12-month period was China. China is not alone in its region to lose ground in the branding stakes. Four out of the five nations whose overall score decreased by more than 2% were East Asian nations.

Brazil’s brand continues to owe its progress to its softer attributes, such as culture and people. It topped the table of increases in the culture dimension over this 12-month period, with 4.1% – far ahead of the next most improving nation in culture, Poland, which registered an increase of 2.1%.

Brazil’s brand is not exclusively soft. Outside the Western/European group of

countries, Brazil was the most improving nation when we looked at the results to the critical question about willingness to live and work in the country. However, an important qualification needs to be made here. Brazil’s position in the change league for this question over the 12 months was only 18th. All the countries above it were from Europe, North America or Australasia.

This means that for this important hard measure of brand value, the willingness to live and work in the country, it is the Western countries – and particularly the West Europeans – that are pulling away fastest from the rest. Denmark topped the table with an increase of 7.8%, followed by the Netherlands, Germany, Sweden, Switzerland, Norway and the UK, all with increases of over 5% compared with an average change for all 35 countries in the survey of minus 0.7%.

At the other end of the change league, five East and South Asian countries registered decreases for “live and work” of over 8%, led by China whose score fell back by a massive 13%. This spectrum of change is the widest in any area of the NBI. Despite Brazil’s progress, particularly in softer areas of the nation brand, these results confirm the difficult challenge that most non-Western nations have in catching up with the West Europeans in the most critical brand areas.

Overall rankings

1	United Kingdom
2	Germany
3	Canada
4	France
5	Switzerland
6	Australia
7	Italy
8	Sweden
9	Japan
10	Netherlands
11	United States
12	Spain
13	Denmark
14	Norway
15	New Zealand
16	Ireland
17	Belgium
18	Portugal
19	Brazil
20	Iceland
21	Russia
22	China
23	Argentina
24	Czech Republic
25	Hungary
26	Poland
27	Singapore
28	Egypt
29	India
30	Mexico
31	South Korea
32	South Africa
33	Tibet
34	Turkey
35	Malaysia
36	Estonia
37	Latvia
38	Israel
39	Indonesia
40	Iran

Guest Nations



Israel

In the Q1 2007 NBI we included several guest nations along with the NBI's regular 35 countries. Two – Israel and Iran – were also included in the previous quarter, and the Q1 2007 survey enables us to see if they have been able to recover at all from the poor results that placed them at the foot of the table last quarter (Q4 2006).



As poor as the Q4 2006 results were for Israel, they were a distinct improvement from Q3 2006 when it was included as a guest nation for the first time. In Q3 2006, NBI respondents put Israel at the foot of the table overall, and also for every one of the six brand dimensions except exports, where it came 24th out of 36. It is possible that its very poor showing in Q3 2006 – conducted in September – was aggravated by its intervention in Lebanon in the two months leading up to the fielding of the NBI survey.

The Q4 2006 survey supported this hypothesis. Israel's scores improved significantly all around, and particularly in governance. Its score increased by an unprecedented 16% for the question:

"Please state how far you agree with the following sentence: 'This country behaves responsibly in the areas of international peace and security'." In governance, it managed to overhaul China, and in immigration and investment, Indonesia.

In Q1 2007, Israel maintained the ground it had gained in the previous quarter. A small increase in its overall score was enough to enable it to overtake Indonesia in the overall ranking, giving it 38th position out of 40. Apart from that, its rankings were identical to the previous quarter.



Iran

Iran was still at the bottom of the Q1 2007 ranking table, adrift from the second-to-last nation – Indonesia – by a huge margin of over 16 points. Iran's scores were the lowest for all but four questions in the survey.

Like Israel, Iran has been the focus of world media attention for several months because of its nuclear ambitions and, ironically, because of the pronouncements of President Ahmadinejad

against Israel. Although the Western media has generally been critical of Iran's stance on these issues, and the UN Security Council has lined up in favour of sanctions, Iran no doubt attracts some support from people opposed to big power hegemony and those with little love for Israel. We would expect therefore to see some variation in panel country attitudes to Iran.

As it turns out, there was very little variation in Iran's rankings in Q1 2007, as in the previous quarter (Q4 2006). Almost every panel country in Europe and the Americas, along with Japan, Australia and New Zealand, ranked Iran last – not just overall, but also for every brand dimension. The picture was not very different elsewhere. In fact, Iran's 37th ranking by the Egyptian panel was its highest in the survey. Other predominantly Muslim countries in the survey were even less generous. Of course, the people in these countries are mainly



Iran's ranking (out of 40) by selected countries Q1 2007	Overall	Exports	Governance	Culture and heritage	People	Tourism	Immigration and investment
USA	38	38	38	38	38	38	38
China	38	36	37	35	37	37	38
Russia	40	37	38	39	38	40	40
Egypt	37	24	35	34	39	39	38
Turkey	40	39	40	39	40	39	40
Indonesia	39	30	38	35	39	40	40
Brazil	40	38	40	40	40	40	40
India	40	37	40	39	40	40	40

Sunni Muslims, many of whom have ambivalent attitudes towards Shias, but it was interesting to find that the Turkish panel again ranked Iran lower than Israel.

The NBI results suggest that Iran has few admirers around the world. The fact that the poor results have been sustained for two quarters shows that the Q4 2006 results were not an anomaly.



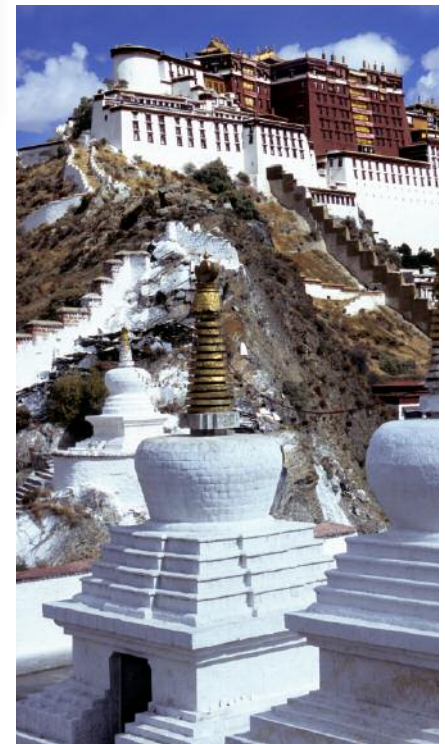
Tibet

In the NBI Q1 2007, and for the first time, Tibet was added as a third guest nation. Although concepts of Tibet vary, the large part of what under any definition can be defined as Tibet is administered by China, and is not currently an independent country. Nevertheless, we included it in the NBI to test the notion that Tibet has a clear enough identity to compete alongside sovereign nations.

Although Tibet's results were better than for the other two guest nations covered above (Israel and Iran), they do not give much support to the notion that Tibet

has a positive place brand. Its overall, all-country position – 33rd – was 11 places below China's, and its highest score from any panel was 28th and came from Estonia.

Despite this disappointing overall picture, there were signs of encouragement for Tibet's tourism aspirations: Tibet reached 16th place out of 40 in this dimension. This, however, masks considerable variation among the questions. As a place with great natural beauty, Tibet ranked 6th, ahead of Italy and Norway. On historical and built heritage, it ended in 11th place.



Unsurprisingly, given its relative inaccessibility and lack of infrastructure, people in the survey were reluctant to translate these impressions into actual tourism intentions. As a place people were likely to visit, Tibet ranked 24th.

Tibet's weakest performance was in exports where it placed last. Few people associate Tibet with products or science and technology. As a place to live, work or study, it also didn't do well.

Tibet's position for governance, 30th, is ambiguous. It was significantly better than both China's (39th) and India's (35th). It is impossible to know the extent to which people identify Tibet's governance with China, or with the body headed by the Dalai Lama, commonly referred to as the Tibetan Government in Exile.

Tibet's ranking (out of 40) by selected countries Q1 2007	Tibet's ranking (out of 40) by selected countries Q1 2007						
	Overall	Exports	Governance	Culture and heritage	People	Tourism	Immigration and investment
All countries	33	40	30	34	28	16	37
USA	32	39	30	34	26	26	32
India	36	40	38	35	31	19	38
Japan	35	39	32	33	31	19	37
Russia	29	40	24	31	29	9	26

The 2007 Nation Brands League Table by Brand Finance

This quarter, Brand Finance (www.brandfinance.com) carried out for us once again its financial valuations of 37 of the nation brands featured in the NBI. Their first calculation was published in conjunction with the Q4 2005 Anholt Nation Brands Index report, and has now been revised, just over a year later, to take into account the effects of both changed NBI scores and economic changes in these countries.

As in 2005, Brand Finance plc has conducted a brand valuation for each nation featured in the NBI using an adapted version of the 'royalty relief' method, a valuation technique widely used in commercial brand valuations.

To undertake the brand valuation, Brand Finance first determined five-year forecast GDP for each nation. It next produced a Brand Rating for each Nation brand using seven economic performance measures (Source: IMD), eight infrastructure and efficiency measures (Source: IMD) and six consumer perception measures (Source: NBI). The resulting Brand Rating is therefore based on robust and objective measures to score each nation brand. Finally, Brand Finance identified a national Brand Contribution or Brand Royalty for each nation brand and produced a brand valuation for each one.

A more detailed explanation of the Brand Finance valuation methodology can be found at www.brandfinance.com.

Many of these figures represent a value to the economy of their country well in excess of GDP, just as the brand values of corporations often exceed their tangible assets. The highest valuation, once again, is an impressive figure of nearly \$20 trillion for 'Brand America' – which, despite the continued unpopularity of the country's foreign policy interventions and the impact of this unpopularity on its people, products, culture, tourism and immigration appeal, has still managed to increase its brand equity by nearly \$2 trillion. At the lower end of the scale is a valuation of \$61 billion for 'Brand Poland', an improvement of 40% since 2005, which partly reflects the country's 25% increase in GDP during the period, and partly an 83% increase in its NBI score. This suggests a relatively rare example of a country whose image is largely keeping pace with its changed reality.

Rank 2007	Rank 2006	Nation brand	Brand value (US\$ bil) 2007	Brand value (US\$ bil) 2006	Brand rating
1	1	USA	19,735	17,893	AA
2	2	Japan	9,590	6,205	A+
3	3	Germany	5,396	4,582	A+
4	4	UK	3,560	3,475	A
5	5	France	3,168	2,922	A
6	6	Italy	2,787	2,811	BBB
7	7	Spain	1,604	1,758	BB+
8	8	Canada	1,402	1,106	BBB+
9	12	China	1,121	712	BBB-
10	10	Netherlands	930	792	BBB

Nation brand	Brand value (US\$ bil) 2007	Brand value (US\$ bil) 2006	Percent change	Brand rating
Turkey	306	189	62%	CCC
China	1,121	712	57%	BB-
Japan	9,589	6,205	55%	A+
South Korea	351	240	46%	BB
Singapore	152	106	43%	BB
Brazil	255	181	41%	B
Poland	61	43	40%	B

The Brand Finance Top 10

Nine of the top 10 nations in the 2007 Brand Finance League Table appear in the same positions they occupied at the end of 2005. China makes its debut into the top 10 for the first time, climbing from 12th place to ninth this year, and consequently pushing Australia down two places to number 11.

Greatest Gains in 2006

As a result of some substantial changes in scores in the more volatile lower part of the NBI, several countries dropped in the rankings despite increased or unchanged scores: Portugal dropped two places, from 23rd to 25th, despite keeping exactly the same score as in 2005, while New Zealand dropped one place, from 26th to 27th, despite an 11% increase in its score.

Conversely, some countries lost brand value while actually rising in the overall NBI ranking. For example, Norway (23rd) climbed three places in this year's rankings, yet suffered a 17% loss in overall brand value, the greatest loss in the table.

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