

The Business of Japanese Culture Abroad: Implications for Japanese Studies

Christopher POKARIER

Waseda University

In an April 2006 speech to a Japanese digital media contents industry audience Foreign Minister Asō Tarō 麻生太郎 stressed its potential contribution to ‘national branding’:

[O]ne part of diplomacy lies in having a competitive brand image, so to speak. Now more than ever, it is impossible for this to stay entirely within the realm of the work of diplomats. It is necessary for us to draw on assistance from a broad spectrum of people who are involved in Japanese culture. And so, I am speaking to you here today to urge you to join with us in polishing the Japan “brand.”¹

This official embrace of Japanese media contents businesses as allies in the projection of diplomatic influence abroad follows upon several years of official and popular emphasis upon their potential contribution to revitalization of the Japanese economy. The Ministry of Economy, Trade and Industry, with the support of business peak organization Keidanren, emphasizes the growing economic importance of Japanese cultural product exports as well as their potentially significant positive spillover, or ‘ripple,’ effects to other Japanese industries and institutions. Such official and popular claims present explanatory challenges to Japanese studies scholars, not least because the discourses in which they are couched are drawn increasingly from the economics and business fields. This paper addresses firstly the frequent discussion of cultural exports with reference to ‘national competitiveness’ and problems inherent to such a conceptualization. The notions of ‘ripple effects’ and ‘soft power’ are considered. Finally, some areas of potential research inquiry into the business of Japanese culture abroad are identified.

Cultural exports and national competitiveness

Japan’s media contents industries are being hailed as an emerging corrective to the nation’s seemingly diminished ‘national competitiveness.’ Leading weekly business journal *Tōyō Keizai* recently made much of The Marubeni Research Institute’s finding that while Japan’s total exports rose 21% in yen terms in the decade from 1992, culture-related exports tripled.² JETRO reports that Japanese animation now has a sixty percent global market share and the value of its exports to the USA now is some three times greater than

1 Asō Tarō, 28 April 2006. The speech was entitled “A New Look at Cultural Diplomacy: A Call to Japan’s Cultural Practitioners” and, significantly, was delivered, at the Minister’s request, at the for-profit Digital Hollywood University which is major provider of digital media training. English translation is by the Ministry of Foreign Affairs.

2 *Tōyō Keizai* 東洋経済, 5843; 30 August 2003.

its steel exports there.³ In a September 2003 feature on the ‘absolute power gap’ between the USA and Japan in the Asahi Shimbun weekly *AERA*, Japan’s significant downgrading on the World Competitiveness Ranking was decried while its rising cultural exports were held up as promising some respite.⁴ The International Institute for Management Development (IMD) in Switzerland ranked Japan number 1 for five years to 1993, losing the ranking to the USA the following year. Japan’s slide to 30th on the IMD ranking in 2002—second last after Italy on the published ranking—attracted intense media attention in Japan and deepened popular foreboding about Japan’s economic prospects.⁵ In August 2003 *Tōyō Keizai* prefaced its lead feature on Japan’s ‘soft business’ with a discussion of the 2002 IMD ranking, asserting that the once vaunted Japanese manufacturing sector had lost its competitive edge⁶. *Tōyō Keizai* declared that in the lost decade, while Japanese had lost their confidence, Japanese culture itself was being quietly cultivated and gaining world attention.

Concern for Japan’s international competitiveness is widespread and manifested in official documents and policy prescriptions from peak business organizations on everything from corporate governance to education reform. Japanese and foreign academic observers alike have also taken up the theme; most notably in the influential 1999 work by Porter, Takeuchi and Sakakibara entitled *Can Japan Compete?* Michael Porter’s work on the ‘competitive advantage of nations,’ as per the title of his 1998 book, has had a huge impact on the way in which the national economic challenges facing nations are framed by many commentators and policymakers.⁷ Porter, Takeuchi and Sakakibara were critical of Japan’s apparently un-supporting environment for the emergence of new entrepreneurs and human resource limitations owing to a weak higher education system. They discussed problems with the commercialization and export of new knowledge and ostensibly inefficient service industries in general; evidenced, it was suggested, by the limited numbers of Japanese services firms operating internationally. This work, and the competitiveness debate at large, resonated with a wide audience in no small part because of a growing sense that Japan had missed the opportunities presented by the ‘new economy,’ in striking contrast to the United States.

Despite the US ‘tech wreck’ with the ending of the dotcom bubble and the post millennium recession, Japan is still frequently depicted as having been eclipsed by the USA in many of the knowledge intensive industries of the future. The focus over 2002-03 on Japan’s media content exports could serve as a welcome corrective to some of these simplistic accounts although, as the reportage by *AERA* and *Tōyō Keizai* highlight, they are often depicted as but a small glimmer of light in the economic darkness. The Ministry of Economics, Trade and Industry (METI) have leant weight to media and academic calls for a supporting policy and social environment for the content industries as one of the few hopes for arresting Japan’s slide in the national competitiveness stakes.⁸

3 Ibid.

4 *AERA* エエラ, 15 September 2003, p. 22.

5 Ibid.

6 Op. cit.

7 Porter 1998.

8 METI 2003a, METI 2003b.

And yet much of the discourse on national competitiveness, in Japan and elsewhere, is misleading. Leading economist Paul Krugman has offered a powerful critique of why the national competitiveness concept is seductive and yet often confused.⁹ The competitiveness concept applies well to firms and parallels are then often drawn with nations. Yet nations do not go bankrupt and cease to exist like firms. Firms, on the other hand, do not source the majority of inputs for their production from themselves, as most nations do. While international trade, both exports *and* imports, can significantly enhance the welfare of a nation's residents, they typically account for a relatively small proportion of the total value of its economic activity (captured by measures such as GDP). Krugman argues therefore that debate should centre on *national productivity* rather than *national competitiveness*.¹⁰ The latter suggests a misconceived mercantilist view of the world where trade is competition and exports are given undeserved normative privilege. Trade is, in fact, mutually beneficial exchange and not theft.

It is ironic that the national competitiveness obsession arose in the United States in the late 1980s with growing perceptions that it was being eclipsed economically by Japan. A decade on, the rise of China has provoked a new bout of debate over national competitiveness throughout East Asia. Within Japan and South Korea there are significant fears that its established industries are under threat while new internationally competitive industries are too slow to emerge. It seems lost on many observers that although Japan has had anemic economic growth for much of the last decade its overall export performance has remained strikingly good and leading Japanese enterprises in many sectors have become more dependent on overseas sales and operations. Japan's economic problems are largely domestic in nature and demand domestic solutions. In its *2003 Outlook* document the Asian Development Bank judged that: "The only possible benefit of discussing national competitiveness is in the identification of the appropriate role for government policy in enhancing firms' competitiveness, and to show how governments can remove barriers to firm-level competitiveness."¹¹

The competitiveness of Japanese media firms does matter, but cultural product trade imbalances, bilateral or with the world, matter much less then when one discards the archaic mercantilism that underpins much of the popular concern with 'national competitiveness.' Culture is rarely a zero sum game and cultural competition between nations is not inevitable. The import of foreign media content obviously can enrich, and indeed revitalize the cultural institutions, of the recipient society. Japanese books translated into foreign languages are only 1/20 that of foreign books finding their way into Japanese versions.¹² Yet it can't be readily concluded that Japan's cultural industries have been weakened as a result—let alone assert that Japanese readers are the worse for foreign literature and knowledge being readily accessible. A trade balance in one industry sector presents no economic problem in principle, and indicators of being a net cultural product importer is no indication of a society experiencing some of cultural decline. It must be recalled that much of the popular discussion of Japan's national competitiveness occurs as part of

9 Krugman, 1996, 1997.

10 Krugman 1996.

11 Asian Development Bank 2003, p. 28.

12 *AERA*, 13 October 2003, p. 48.

a broader debate about its standing vis-à-vis the USA. America maintains a substantial trade deficit with Japan and the world at large.

The competitiveness of Japanese media firms matters because if they are not fulfilling their full creative and earning potential it represents a loss to shareholders and/or consumers in both Japan and abroad. Competitiveness is a function of both firm-specific factors and the broader business environment; with the latter having fundamental impact on the former. Institutional and socio-cultural contexts, as well as established industry structures, create incentive structures for businesses to act in certain ways, pattern strategic options and shape availability of human, financial and technological resources. As markets become more accessible to foreign producers, be it through policy liberalization, technological change or through increased experience in operating across borders, 'locational competitiveness' becomes increasingly an issue for firms.¹³ Competitive locations not only are merely essential to firm viability, when positive agglomeration effects arise dynamic industry clusters may develop that establish the location as a hothouse of innovation and hence sustainable industry competitiveness.¹⁴

To what extent Japan offers 'locational competitiveness' for media content industries, and the cultural industries more generally, is hotly contested and ripe for further study. Somewhat ironically, METI now champions Japanese creative content exports while MEXT has legitimized the view that the Japanese education system needs further reform as it currently does not foster sufficient creativity. There are ready constituencies for such research ranging from such Japanese government agencies to business and industry peak organizations. Foreign scholars of Japanese Studies, familiar with both foreign and Japanese cultural industries, might have a distinct contribution to make. At first glance, there are grounds for optimism that the initial conditions for Japan to develop internationally competitive media content firms exist. Japan's past export successes predominantly entailed firms facing strong competition in the sizeable domestic market because it was the impetus to enhanced productivity and ongoing product innovation. Japan's domestic media content markets are intensely competitive. Although media critics have pointed to the influence of the Big Five print and broadcasting media groups, most other nations have more concentrated industries. Moreover, the Big Five set within large and dynamics of second and third tier content firms while also facing—in print—competition from a range of boutique publishers. The Japanese media content industry is also strengthened through the presence of broader vibrant 'creative industries,' to adopt a term gaining increasing currency.¹⁵ Japan's influence on design is long established and draws attention not only in specialist publications but in broader circulation style arbiters such *The Face* and *Wallpaper* magazines out of the UK. Yet precisely what is needed is to shift from such hopeful anecdotalism to more rigorous research methodologies which ascertain the real extent of Japan's firm-level competitiveness in the media content industries in particular and creative industries in general.

13 Siebert 2002.

14 Ottaviano and Puga 1998.

15 Flew 2002, pp. 114–38.

‘Ripple effects’

The Ministry of Economics, Trade and Industry (METI) is now prioritizing media content exports because of what it perceives as the significant positive externalities they entail for Japan. An April 2003 METI policy document identifies a number of beneficial ‘ripple effects’ arising that, it suggests are much less in evidence with exports from other sectors.¹⁶ The first was what it termed the ‘window model’ which refers to the capacity to deliver the one media content product through multiple channels, capturing scale economies, increasing market penetration and enhancing financial returns on the initial investment in production. Japan is advantaged in having a very large domestic market to start with. There is a sophisticated literature on the economics and marketing of information goods that can be brought to the analysis of the Japanese media industry and its internationalization. The recent research of Hamano Yasuki 浜野保樹 is a notable contribution in this respect but there remains much to be done; especially from an international marketing perspective.¹⁷

Reflecting insights from the marketing discipline, the second source of a ‘ripple effect’ identified was the capacity to promote products through media content. Thirdly, as was so clearly demonstrated with the Pokemon phenomena, media content sales can generate related merchandise sales that dwarf the revenues earned directly from the content.¹⁸ The fourth significant effect identified was the flow through to tourism. The report highlighted the dramatic increase in Korean tourist visits to Otaru, Hokkaidō, after the director Iwai Shunji’s 岩井俊二 film *Love Letter* 恋文—set in the city—screened in South Korea.¹⁹ It also highlighted how patterns of Japanese outbound tourism have been impacted upon by movies and television. This is not surprising as the same effect has been seen in domestic tourism, such as in the increased popularity of Biei/Furano in Hokkaidō and Takayama in Gifu as a tourism destination after they featured in popular television dramas.

The fifth positive ‘ripple effect’ identified was, as one would anticipate, the promotion of cultural understanding and an enhanced interest in Japan. Japan Foundation statistics highlighting increasing numbers of foreign students studying Japanese were presented; suggesting that Japanese anime and manga exports have played a significant role. It is certainly noticeable that the poor press the Japanese economy has received over the last decade has done little to dent the interest of foreign students in studying Japanese—although there are variations between countries.

Not all Japanese media content is going to generate the kind of positive ripple effects sought by government if exported abroad. Indeed some of the most challenging and important media product from many countries would do little to enhance their appeal as a travel destination or society to study. Few movies do for their setting what *Love Letter* did for Otaru or *Amelie* for Paris. Yet even confronting media content does put a country on the ‘perceptual map’ of others. The final positive ‘ripple effect’ that METI identified is one attracting considerable attention in the Japanese mass media presently—‘soft power.’

16 METI 2003a.

17 Hamano 2003.

18 Ibid.

19 Ibid.

'Soft power'

The 'soft power' concept originated with Joseph Nye, a leading international relations scholar and a former US Assistant Secretary of Defense. In its original 1990s context, the term resonated as the US's international persona shifted away from the 'hard power' security posture of the Cold War era and drew on other ideational strengths. The soft power concept has come to appeal to some Japanese commentators in reaction to the United States' resorting to the active use of hard power post 9/11 as a means by which Japan might strengthen its relatively diminished international profile.²⁰ Japanese optimism in this respect has been stimulated by an article in *Foreign Policy* entitled 'Japan's Gross National Cool' in 2002 by Douglas MacGray which has subsequently attracted enormous attention in Japan.²¹ MacGray traced the growing popularity of Japanese food, design, media contents and fashion throughout the 1990s and concluded that its cultural clout abroad was greater than at the height of the 'Bubble Economy' in the late 1980s.²² In discussing the scope for contents exports to enhance Japan's soft power, METI has not only picked up MacGray's work but also an influential article in *Foreign Affairs* by Peter van Ham on the rise of the 'brand state.'²³

Van Ham argued that "the unbranded state has a difficult time attracting economic and political attention. Image and reputation are thus becoming essential parts of the state's strategic equity."²⁴ The established analytical tools and theoretical concepts utilized in Japanese Studies allow us to deconstruct the mix of symbols, images, facts and myths that the marketers of nations deploy. However the 'Brand State' concept points us back to marketing and its interface with the public policy and international business disciplines when looking at the mechanisms for designing and implementing such marketing programs. Brand states have "geographical and political settings that seem trivial compared to their emotional resonance among an increasingly global audience of consumers" which is not surprising given that "the right brand can surpass the actual product as a company's central asset."²⁵ This echoes the title of a 1997 book by leading international marketing scholar Philip Kotler and two colleagues, *The Marketing of Nations*, though it examined options for a comprehensive strategic positioning of a nation's economy.²⁶ Another leading international marketing scholar, Johansson in turn criticized this work for not offering sufficient insight into the now ubiquitous tactics utilized by nation states to advertise their locations and products to foreign investors and consumers.²⁷

The difficulty for METI in linking government policy initiatives to promote media content exports to the brand state concept is that a key tenet of branding is active control over the marketing message. A vibrant and competitive private media industry may not deliver quite the positive enhancement of the Japan brand equity that it hopes. While

20 *Tōyō Keizai*, 5843, 30 August 2003.

21 MacGray 2002.

22 *AERA*, 15 September 2003, p. 22.

23 van Ham 2001, pp. 2–3.

24 *Ibid.*, p. 4.

25 *Ibid.*, p. 3.

26 Kotler et al. 1997.

27 Johansson 1998, pp. 149–150.

some might fear a threat to the autonomy of cultural industries the Japanese state in fact has few means of control and little inclination or practical capacity to exercise them.

The Japanese Government has sought to promote understanding abroad of the nation through the Japan Foundation and diplomatic missions. The Japan Foundation effectively supports the work of private actors, typically of the not-for-profit variety in academe and public cultural institutions. The Japan Foundation has long recognized though the corporate channels through which Japanese cultural product might be disseminated and have endeavored to do so with production subsidies; most notably in the form of aid to commercial publishers for specific titles.²⁸ In April 2002 the Japanese Government's Agency for Cultural Affairs commenced the Japanese Literature Publishing Project with a budget of three hundred million yen to subsidize the translation of 27 literary works into English and other foreign languages.²⁹ While the objectives are long-established, namely "to promote understanding of Japan in the world and its contribution to world culture and to elevate the standards of Japanese literature," effective subsidies to major commercial publishers means that their sophisticated marketing and distribution channels can be used with effect.

The 'brand state' development does have a potentially positive dimension. Van Ham concluded that in Europe the phenomenon is effectively marginalizing nationalist chauvinism. 'The brand state's use of history, geography, and ethnic motives to construct its own distinct image is a benign campaign that lacks the deep-rooted and often antagonistic sense of national identity and uniqueness that can accompany nationalism.'³⁰ It just wouldn't sell abroad otherwise.

Culture business abroad

While the popular linking of Japan's media exports and national competitiveness has been rather a red herring, it might have the unintentional benefit of leading Japanese policymakers to reflect on the industry and firm level factors that impede the dynamism of Japanese contents firms. The main driving force for Japanese cultural exports on a much larger scale than today must come from business. While many not-for-profit organizations, dedicated individuals and government organizations have made a significant contribution to the internationalization of Japanese culture, their resources and skills sets are inevitably limited.

Japanese media enterprises also have to develop additional skills. Most Japanese contents firms remain at an early stage of their internationalization.³¹ However that is a process now understood quite well by international business scholars and executives in established export industries. There are a range of media-specific issues that arise though, ranging from complex intellectual property rights regime issues to foreign media content regulation and export channel selection for informational goods.³² While there has been some academic attention given to the economics of publishing across Western markets, and the strategic marketing issues that arise from them, comparisons with the Japanese

²⁸ Japan Foundation 2003.

²⁹ JLPP 2003.

³⁰ van Ham 2001, p. 3.

³¹ *Tōyō Keizai*, 5843, 30 August 2003.

industry remain scarce. An understanding of the differences in industry structure and marketing practice can inform the internationalization efforts of Japanese content producers and can be provided by academic observers.

Some export-oriented entrepreneurial initiative is recently in evidence. One of Japan's leading arts and culture magazines, *Kateigahō*, launched an international edition in October 2003.³³ Kōdansha is partnering with Random House to market translated Japanese titles abroad.³⁴ *AERA* profiled the venture by New York based expatriate Sakai Hiroki.³⁵ The former book editor with Nihon Keizai Shimbunsha has founded Vertical Inc which publishes translations of Japanese books, principally for the US market.³⁶ Trading company giant Itochu is making a strategic investment in the firm while publishers Shogakukan and Shueisha have established a joint venture in the US to market manga there.³⁷ Yet business growth is constrained by a shortage of foreign translators of Japanese, especially as those situated in universities tend to work only on 'hi brow' literature.³⁸ Japanese Studies scholars and educators can valuably engage with the current popular and government enthusiasm for Japan's media contents and broader cultural exports.

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32 METI 2003b.

33 www.kateigaho.com.

34 *Japan Times*, 19 June 200X.

35 *AERA*, 13 October 2003, p. 48.

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