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Paper No. 16
THE CENTURY OF THE DRAGON:

ADVERTISING IN ASIA -- FROM DEPENDENCE TO CONVERGENCE

by

Katherine Toland Frith, Chair of Advertising
Pennsylvania State University
College of Communication
University Park, PA. 16803
FAX: (814) 867-1106
email: KTF1@PSUVM.PSU.EDU

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INTRODUCTION

Over the past few decades Asia has experienced the most dynamic economic growth of any region in the world. While the East Asian economies accounted for only four percent of the world's gross national product in 1960, by 1991 they had reached some twenty-five percent. By the turn of the century they are expected to account for one-third of the global GNP. Some experts predict that East Asia could grow twice as fast economically as the US and at three times the rate of Europe (Business America 1994). Add to this the nations in the Association of Southeast Asian Nations (ASEAN) and the figures are even more impressive. The World Bank estimates that over the next five years, Asia will account for more than half of the global GNP growth and half of the global trade growth (Business America 1994).

This rapid economic growth has been accompanied by a dramatic increase in advertising. Today, billions of dollars (US) are spent on mass media advertising in the region -- aimed at enticing the burgeoning middle class to consume everything from perfumes to Pentiums. The gradual build-up of multinational business activity has resulted in a transformation of consumer behavior as the region shifts from traditional to mass-market and advertising is positioned at the center of this change. The purpose of this paper is to examine the criticisms of advertising that have accompanied this growth over the past few decades and to discuss some of the intended as well as the unintended effects advertising has had on development in the region.
ADVERTISING AND DEPENDENCY THEORY

While there has been a wealth of articles and books on the economic miracle of Asia, there has been little comprehensive work done on the practice of advertising in the region. Michael Anderson's book, *Madison Avenue in Asia: Politics and Transnational Advertising*, provides an excellent starting point for our discussion. Published in the mid 1980's, Anderson's book provides an analysis of the situation that existed in this region in the 1970s and very early 1980s and describes, quite accurately, the most pressing concerns of those decades relating to the impact of advertising on Third World development:

The impact of the transnational corporations (TNCs) on the needs and aspirations of Third World masses living amidst scarcity and poverty is not always encouraging. The consumption gap between the few rich and the many poor continues. Progress toward reducing the cultural shock, eliminating poverty and other forms of inequality, ensuring citizens full participation in their nations' decisions making process or fostering national self-reliant action has been slow at best. The debate generated by this book should help contribute to a better understanding of some of these consequences of today's world order...

(Anderson 1984, 25)

In his book, Anderson views the situation in Asia through the lens of dependency theory which takes into account the structures of social relations and social power and the impact of these structures in contributing to underdevelopment. He uses Galtung's structural theory of imperialism to describe the impact of transnational advertising on the periphery nations of Asia. This theory supports the notion that, under economic colonialism, "center"
nations, particularly the United States, Britain, and Japan, to a large extent controlled the economies of the developing or "periphery" nations.

From our perspective in the mid 1990s however, the rise of the Four Dragons (South Korea, Taiwan, Hong Kong, and Singapore) as areas with the greatest sustained economic development in the world might raise some challenging questions about the final outcome of the modernization process in Asia. In fact, today,

the Four Dragons are providing thirty-one percent of all foreign investment in the countries of ASEAN. . .they are now responsible for the largest capital transfer in the region, exceeding that of both Japan and the United States.

(Tu Wei-ming 1991, 8)

Indeed, in 1991 Taiwan alone was the largest single investor in Malaysia and Vietnam, and the cumulative foreign investment from Taiwan, Hong Kong and Singapore in the countries of Indonesia, Malaysia and Thailand now surpasses that of both Japan and the US (Weidenbaum 1993a). Tu Wei-ming (1991) of Harvard University notes that by 1990, all indications were that the average per capita income in Hong Kong had already surpassed that of its colonial ruler, the United Kingdom. In effect, what we may be witnessing in Asia, is the "periphery" becoming the "center."

One of the most interesting aspects of economic growth in East Asia has been the connection between culture and economic growth. In pure economic terms Japan, continues to be the dominant economy in Asia and will continue to hold that position in the near future. However, a Chinese-based economy,
unofficially known as “Greater China”, is rapidly emerging in Asia. This informal economic network,

contains substantial amounts of technology and manufacturing capability (Taiwan), outstanding entrepreneurial, marketing, and service acumen (Hong Kong), a fine communications network (Singapore), a tremendous pool of financial capital (the Overseas Chinese) and very large endowments of land, resources and labor (mainland China).

(Weidenbaum 1993a, 72)

This geographically diverse group is held together more by a set of cultural values than by any particular set of political or nationalistic values.

In his recent book, *Megatrends Asia: Eight Asian Megatrends the are Reshaping Our World*, author John Naisbitt (1996) states that “the borderless Overseas Chinese are now the third largest economy in the world” (p.20). In addition to sharing cultural values, this group is also responsible for much of the economic growth in Asia. As Tu notes, “The Chinese constitute not only the largest peasantry in the world today but also the most mobile merchant class” (p.8). And it is through these lines of cultural connections that much of the current economic growth is occurring.

The cross-border relationships in the Chinese-based economy are not limited to the PRC, Hong Kong and Taiwan. A Malaysian entrepreneur has teamed up with a counterpart in Hong Kong in a $130 million project to develop shops, offices and housing in Shanghai. The Charoen Pokphand group, a Thai conglomerate owned by ethnic Chinese, has built more than 50 projects in the PRC, including a motorcycle factory, a brewery and animal feed mills.

(Weidenbaum 1993b, 36)
In fact, the recent economic phenomena in the Asia-Pacific region can no longer be explained, as the dependency theorist of previous decades argued, primarily along geographic and ideological lines from center to periphery—it may, in fact, be most strongly influenced by cultural connections.

ADVERTISING AND ECONOMIC POWER

Among the concerns expressed by authors in the 1980's (Anderson 1984; Janus 1986) was the fact that advertising undermined national development by promoting the consumption of non-essential foreign products thereby concentrating economic power into the hands of a few large Western-based transnational corporations. In effect, the argument went, advertising gave transnational products the advantage in foreign markets and these products competed with local products often replacing cheaper, more durable and sometimes more nutritious or ecologically sound products with costlier ones in fancier packaging. The argument here was that transnational advertising drives out local competition and perpetuates monopolies by preventing smaller firms—often local ones—from entering the market because these smaller firms do not have access to sufficient capital to provide for the high costs of advertising. The ultimate result, the critics argued, was the greater transnational penetration of the economy as a whole.

While there are countless examples of apparently successful multinational brands in Asia, there is also little substance to the belief that multinational
corporations are always successful in cracking through the resistance of Asian culture and politics. As one Canadian newspaper suggests:

But the great myth that Asia is a vast untapped mine of potential customers waiting for Western manufactured multinational products may turn our to be just that—a myth.

*(Montreal Gazette July 17, 1995, B5)*

Asian countries maintain a plethora of regulations, local customs, and long-standing relationships or connections that often frustrate and confound the foreign company eager to break into these markets. In confronting Asia most foreign enterprises face numerous subtle and not so subtle challenges like strong monopolistic practices of the Korean *chaebol*, the importance of local business connections in countries like Korea, Japan, Taiwan and China — the new capitalism in China is called *guanxi* (loosely translated this means “connections”), and the embedded bureaucracies in most Asian countries that can infinitely slow down the process of doing business. While dependency theorists were able to argue that in principle advertising gave transnational products the advantage in foreign markets, experience in Asia, at least, has proven that this is no longer always the case. No amount of advertising can overcome distribution problems which are often insoluble without both the proper connections and an understanding of how to work the bureaucracy.

In addition, the trade connections between Asian nations have been improving in recent years to the point where more Asian products now go to other Asian countries than at any time in the past. Countries like Hong Kong, Taiwan and Singapore now buy 33% of their imports from other nations within
the region compared with less than 24% in 1985 (Weidenbaum 1993a). With the introduction of economic alliances such as the ASEAN Free Trade Area (AFTA) agreement signed in January 1992, trade tariffs between member countries are being phased out so that rather than holding all the power, as the dependency theorists suggested, the power of Western-based transnational corporations to monopolize these markets is often held at bay by national and regional development policies. This is not to argue that those corporations that have already established long-standing relationships with host countries in Asia have not been successful (Marlboro is, after all, the world’s largest selling cigarette) but rather to note that success is no longer assured merely by the fact that a corporation is Western or transnational.

In fact, rather than the Western multinationals monopolizing the picture, it has been the businesses run by the Overseas Chinese that have been the big winners in the region. Chinese-run companies in Thailand, Indonesia, Malaysia, and the Philippines now make up about 70% of the private sector in these nations (Weidenbaum 1993b). The ethnic Chinese account for about 10 percent of the population of Thailand and 9 of the 10 largest business groups. In Indonesia about 4 percent of the population is Chinese and this group is estimated to control about 73% of the Indonesian economy. In Indonesia each of the 10 largest business groups are owned by local Chinese entrepreneurs (Weidenbaum, 1993b). In Singapore 81% of the economy is controlled by Chinese businessmen (Naisbitt 1996). In other words, the balance of power has
shifted in this region and the ability of Western governments and transnational corporations to "perpetuate dominance over weak nations" (Anderson 1984, 87) is diminishing.

ADVERTISING MANAGEMENT CONCERNS

Another area of concern to critics over the past few decades has been the employment practices of transnational advertising agencies (TNAAs). It has been suggested that the concept of media "professionalism" was merely a cover for expatriate management. Anderson charges that media professionalism, along with the transfer of technology from the First World, is a part of the dominant ideology in the general stream of cultural dependence. Without a doubt there has, historically, been a division of labor in the structure of TNAAs (Kim and Frith 1993). Generally, expatriate experts have been brought in to Asian countries and have taken the executive positions while local media practitioners have held low status positions and have been offered little in the way of executive experience. In Anderson's analysis this structure contributes to dependency. In recent years, however, there has been some evidence to suggesting that this employment trend is changing. While, in the past, transnational agencies handled primarily transnational clients, today agencies need local business to compete, and to attract local business in Asia agencies need to develop contacts with local people. This is best done through local managers who understand the concepts like guanxi. Throughout Asia it is becoming rapidly apparent to most entrepreneurs that business contacts are
crucial to business success. In Thailand more than half of Ogilvy and Mather's clients are now Thai nationals. In fact, the 1990s have been called the "Thai Era" in advertising (Chirapravati 1993). The largest TNAAs in Thailand all now have Thai chief executives. Leo Burnett, one of Thailand's largest agencies had only four expatriates among its staff of 210 employees (The Economist 1992).

Again, while it would be dishonest to suggest that the transnational agencies do not hold great power throughout the region, there is evidence from Taiwan, Thailand, Singapore, India, and Malaysia that management in TNAAs is becoming a shared endeavor (Frith, 1996). The days of merely translating foreign campaigns developed by copywriters at corporate headquarters in center countries, or as Anderson suggests, "standardized commercial products that can be packaged and widely syndicated by TNAAs" (1994, 51), are long gone.

ADVERTISING AND CONSUMER CULTURE

Another criticism that emerged in the 1970's and 1980's was that transnational advertising was responsible for the spread of consumer culture thereby creating an increasing gap and disharmony of interest between the 'haves' and the 'have nots'. The counter-argument here might be that with or without advertising (Indonesia went for ten years without TV advertising because of the government's belief that this criticism held true) the gap between rich and poor has been shrinking in most parts of Asia. In Indonesia, for example, the World Bank has noted a dramatic diminishment of poverty over the
past twenty years with some 70 million below the poverty line in 1970 and only 27 million in 1990 (Media Scene 1994-95).

The number of families living below the poverty line in most countries in Asia is decreasing. While economic growth in East Asia has been phenomenal, ASEAN nations have also experienced fast economic development. The annual real GDP growth for the period from 1985 to 1990 averaged 8.6 percent for Singapore and 6.8 percent for the ASEAN Four—Indonesia, Malaysia, Thailand, and the Philippines (Pierson 1994). Even the so called “underdeveloped” countries like Vietnam are experiencing impressive economic growth (8% per year). As Hill (1994) points out regarding the ASEAN countries:

The benefits of rapid development in the four growth economies have been distributed reasonably widely, in turn ensuring a cohesive social order and widespread community acceptance of the desirability of growth. Moreover, the relationship between growth and the decline in poverty incidence is very clearly a strong one.

(Hill 1994, 853)

The eradication of poverty in East Asia has been remarkable. Taiwan, for example, has been transformed, in the past half-century, from a sugar-plantation colony of Japan into one of the world’s most accomplished industrialized countries. The per capita gross national product of Taiwan increased from US$200 in 1953 to US$11,604 in 1993 (Chan 1994). In the early 1950’s, development economists were cautioning poorer nations against becoming dependent upon the capitalist world system (Myers and Puchala, 1994). Taiwan’s decision to become an aggressive trader within the world
capitalist system has rewarded the island republic handsomely as it has to other Asian nations like Singapore, Malaysia, and Korea.

The economies of Taiwan, Singapore, and Korea have doubled in size every eight years between 1960 and 1985, and the benefits did not flow just to the well-known industrialists and traders.

Between 1970 and 1990, the number of people classified as very poor in East Asia fell to 180 million from 400 million -- despite the populations of these countries growing during this period by 400 million. Now fewer than one in 10 East Asians lives in extreme poverty...

*(FEER October 12, 1995, 47)*

If advertising has contributed to this economic growth, then it can also be credited with helping to decrease the gap between the haves and the have-nots in Asia.

Which brings us to the final criticism of transnational advertising, that emerged in the 1970s and 80s:

The sheer volume and effectiveness of TNAAs advertisements have been said to introduce or condone aggressiveness, materialism, romanticism, elitism, racism, conformism, and so forth, and such beliefs have been said to gradually contribute to the creation of a new, elite-oriented culture that has nothing to do with the indigenous one it is rapidly replacing.

*(Anderson 1984, 64)*

Of all the criticisms of advertising this one is the most worrisome because while it is hard to argue against the positive benefits of economic growth, it is equally hard to argue for the destruction of indigenous culture (Frith and Frith 1989). And there is no doubt that advertising has contributed to the creation,
particularly among the young in Asian countries, of a lifestyle segment heavily
oriented toward Western culture. As *The Economist* notes:

> If there is one thing that unites this diverse region it is the 
> emergence of an affluent middle class. These new consumers are 
> young, status-conscious and interested in image as well as 
> product.

*(The Economist 1992, 85)*

In advertising's defense, this emerging segment is not the creation of
advertising agencies alone, but of all the culture industries including television,
movies, videos, and music working in concert. The question that seems most
relevant is however, what is being lost and what is being gained? On the one
hand, without a doubt, foreign cultural influences through the mass media have
affected the style of dress and address in Asia. Modes of communication have
changed, but whether or not deep moral values have eroded in Asia as the result
of advertising and the mass media is hard to assess. Most authors who study
development in Asia (Naisbitt 1996) note the deeply held cultural values that run
throughout Asian cultures and affirm the strong hold of these values (Sengupta
and Pashupati 1996; Martin 1996). While styles of clothing and modes of
address may have changed in the last few decades, the underlying importance
of family, religion, and cooperation seems to have held firmly throughout the
region. There are positive and negative Asian values just as there are good and
bad Western values. Arriving at a balance seems to be a theme that
underscores the relevance of this discussion throughout the region.
CONVERGENCE

As we move toward the 21st century, we are beginning to see in Asia the emergence of a new vision that challenges the assumptions of dependency theorists. Within this new structure, higher levels of cooperation between nations as well as new forms of communications technology are creating an unprecedented form of regional and global integration. In terms of economic development, structures like Greater China challenge our preconceptions of economic growth which were based on the concept of the nation-state. As Drucker 1993; Naisbitt 1996; Huntington 1993 and Kotkin 1993 point out, the importance of the political formulations that shaped the Cold War world, including nation-state boundaries, are receding and new formulations or networks based on supranational cultural-ethnic entities are becoming increasingly important. Samuel P. Huntington (1993) argues that the ways people have defined themselves in the past — politically, economically and ideologically — were relatively shallow and short-lived. In contrast, cultural and religious differences “are the product of centuries. They will not soon disappear. They are far more fundamental than differences among political ideologies or political regimes” (25).

NEW ECONOMIC PARADIGMS

Both Naisbitt (1996) and Kotkin (1992) assert that in the 21st Century the fading of military force as the prime element in determining economic position will naturally reduce the traditional power of the nation-state structure.
They suggest that, in the future, global and regional affiliations based on race, religion, and ethnic identity will determine success in the new global order.

These supranational cultural-ethnic entities or global tribes share three crucial characteristics:

1. A strong ethnic identity and sense of mutual dependence that helps the group adjust to changes in the global economic and political order without losing its essential unity.

2. A global network based on mutual trust that allows the tribe to function collectively beyond the confines of national or regional borders.

3. A passion for technical and other knowledge from all possible sources, combined with an essential open-mindedness that fosters rapid cultural and scientific development critical for success in the current work economy.

(Kotkin, 1993, 5)

The emerging economy of Greater China supports this theory. Greater China differs from the more official economies in that it consists of midsize, family-run businesses rather than the huge multinational corporations that predominate in Japan, Europe, and the United States. In the economy of Greater China, trade and commerce travel through formal and informal networks, "These transnational networks seem to be the natural accompaniment of the Chinese trading tradition" (Weidenbaum 1993a, 73). The organizations within this network are characterized by a relative efficiency in operations; informal agreements and transactions based on family or clan affiliation; and a flexibility that allows these firms to be responsive to changes in the environment. At a macroeconomic level, Greater China has the potential to be an economic superpower. With a combined gross domestic product now approaching $1
trillion per year it is the current world leader in terms of economic growth (Weidenbaum 1993b).

THE NEW PARADIGM OF INTERCONNECTEDNESS

In terms of communication, we may be seeing a transition from what James Carey (1989) described as the transmission model to the ritual model. The so-called “old media” such as radio, television, and newspapers fall within the transmission model in that they have by their very nature promoted a one-way, top-down transmission system that theoretically gave rise to a passive audience and a powerful media. Much of the criticism of advertising voiced in the past was rooted in the notion of a passive audience and a powerful medium.

Carey’s model describes the ritualistic aspects of communication and the relationship of communication to the development of communities.

A ritual view of communication is directed not toward the extension of messages in space but toward the maintenance of society in time; not the act of imparting information but the representation of shared beliefs.

(Carey 1989, 18)

The “new” media, available through telephone, satellite and computer provide for greater interaction and allow greater dialogue between sender and receiver than has ever before been possible (Elmer-DeWitt 1995). Marshall McLuhan’s vision of a “Global Village” first articulated in 1962 may be coming to fruition through these new technologies which create the possibility of convergence and a global integration that transcends national boundary and individual culture. Meyrowitz in No Sense of Place (1985) argues that the new media redefine the notion of
social position and place, divorcing experience from physical location and bringing together otherwise disparate groups through communications. Whereas, earlier forms of mass communication formed a genuinely fragmented set of human social conditions, we now appear to be moving into a world, "in which humankind in some respects becomes a 'we', facing problems and opportunities where there are no 'others' "(Giddens 1991, 27).

What role does advertising play in this vision? As new media technologies move us from the top-down, one-way message model to a more democratic and interactive modes of communicating, we shall see the power previously attributed to advertising change. Rather than focusing merely on the negative effects of advertising that were exposed as part of the dependency paradigm we may wish to examine some of the more positive unintended effects.

According to Sherry (1987) advertising functions at two levels: the manifest function is to prompt purchasing behavior and the latent function is socialization. In terms of its latent function, advertising has the power to endorse, glamorize, and reinforce certain cultural values (Pollay and Gallagher 1990). In the case of development, it has been documented historically that advertising for soap products in the US in the early 1900's not only sold soap but also helped set standards of cleanliness and hygiene that lowered the incidence of infectious diseases (Hoy 1995). Advertising has the power to act as a conduit through which "meaning constantly pours from the culturally constituted world to consumer goods" (McCracken 1986, 75). As a form of public
communication, advertising can transfer specific cultural values across ethnic and national borders, and can spread cultural patterns, lifestyles and ways of behavior that, while often unintended by advertisers, can, in fact, be conducive to the goals of national development. Perhaps, the questions that we must ask of advertising as we move toward the 21st Century are: how can the unintended effects of advertising be harnessed for the public good? How does advertising build communities of interest that transcend national borders? How does the advertising process contribute to globalization and convergence? These are the pressing questions for the next decade.
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THE CENTURY OF THE DRAGON:
ADVERTISING IN ASIA --FROM DEPENDENCE TO CONVERGENCE

by
Katherine Toland Frith, Chair of Advertising
Pennsylvania State University
College of Communication
University Park, PA. 16803
FAX: (814) 867-1106
email: KTF1@PSUVM.PSU.EDU

ABSTRACT

The rapid economic growth in Asia over the past few decades has been accompanied by a dramatic increase in advertising. Today, billions of dollars (US) are spent on mass media advertising in the region all aimed at enticing the burgeoning middle class to consume everything from perfumes to Pentiums. The gradual build-up of multinational business activity has resulted in ideological debates about the role of advertising in development. On the one hand, dependency theorists charge that advertising promotes the consumption of non-essential products, concentrates economic power into the hands of a few large transnational corporations and creates a consumer culture that is damaging to indigenous values. Convergence theorists argue that advertising fuels economic growth and thus helps to diminish the distance between the ‘haves’ and the ‘have nots’. The purpose of this paper is to examine the criticisms of advertising that have accompanied economic growth over the past few decades and to discuss how current trends in economic development in the region are shaping the practice of advertising in Asia.