Iraq War is Bad for Business

by Jim Lobe | December 31, 2004

On top of the human and financial costs of the war in Iraq, the Bush administration's foreign policy may be costing U.S. corporations business overseas, according to a new survey of 8,000 international consumers released this week by the Seattle-based Global Market Insite (GMI) Inc.

Brands closely identified with the U.S., such as Marlboro cigarettes, America Online (AOL), McDonald's, American Airlines, and Exxon-Mobil, are particularly at risk. GMI, an independent market research company, conducted the Internet survey with consumers in eight countries from Dec. 10-12. One-third of all consumers in Canada, China, France, Germany, Japan, Russia, and the United Kingdom said that U.S. foreign policy, particularly the "war on terror" and the occupation of Iraq, constituted their strongest impression of the United States.

Twenty percent of respondents in Europe and Canada said they consciously avoided buying U.S. products as a protest against those policies. That finding was consistent with a similar poll carried out by GMI three weeks after Bush's November election victory.

"Unfortunately, current American foreign policy is viewed by international consumers as a significant negative, when it used to be a positive," according to Dr. Mitchell Eggers, GMI's chief operating officer and chief pollster. "Some American brands become closely connected to their country of origin and are quintessentially American," he added. "They represent the American lifestyle, innovation, power, leadership, and foreign policy."

Empire is Bad for Business

Whether the U.S. foreign policy under Bush is affecting the sales of U.S. corporations overseas is being hotly debated by advertising and public relations firms, as well as the companies themselves. Last month, Kevin Roberts, chief executive of advertising giant Saatchi & Saatchi, told the Financial Times that he believed consumers in Europe and Asia are becoming increasingly resistant to having "brand America rammed down their throats."

Simon Anholt, author of *Brand America*, has also predicted a consumer backlash against U.S. foreign policy. He recently told the British trade magazine *Marketing Week* that four more years of Bush's foreign policy could have grave consequences for U.S. companies' international market share.

"There have already been casual protest brands, such as Mecca Cola, which are primarily political," he told the weekly. "But things are now moving beyond that. For instance, German restaurants are beginning to refuse American Express cards. This is new territory."

Other analysts have been skeptical, arguing that recent declines in sales in France and Germany by McDonald's, Coca-Cola, and Marlboro were due far more to other factors, including flagging economies in both countries or a simple failure by companies to adapt rapidly enough to consumer tastes.

But the new survey, as well as the one taken by GMI last month, suggests that the unpopularity of U.S. foreign policy may indeed be playing a role, at least for companies that are either strongly identified with the United States or are perceived as having similar characteristics as its foreign policy.

"American companies are accused of aggressiveness and arrogance because they insist on imposing the American way of doing things on their international markets; they are inflexible," according to Allyson Stewart-Allen, co-author of *Working With Americans*, a business bestseller published by Prentice Hall in 2002.

She argued that the more U.S. companies distance themselves from their U.S. identity, the better they will survive in the international marketplace. "U.S. companies abroad now need to focus on adding yet more value and repositioning their brands to consumers in the intensely competitive global village in which they compete."

"The more aligned they are with those customers—regardless of their U.S.-created DNA—they'll win." American companies need to focus on alignment with international markets and embrace their market differences and idiosyncrasies.

The survey cited 40 U.S.-based companies and asked consumers who said they were trying to avoid buying U.S. brands to rate each one of them by how closely they were identified with being "American," and whether or not they deliberately avoided buying their products.

The survey then plotted each company's position on a quadrant divided into "safe" and "insulated" squares at the bottom and "at risk" and "problem squares" at the top.

Those deemed "safe" or "insulated" generally were either not seen as particularly "American" (Visa, Kodak, Kleenex, or Gillette), or they apparently lacked real competition (Microsoft, Heinz, and Disney).

Visa was the single-best performer: only 17% of consumers identified as intending to avoid U.S. brands thought that it was "extremely American," and only 15% said they intended to boycott it. Fifty-four percent said they had used Visa at least once in the previous month.

"Problem" companies, on the other hand, included those that more than a third of boycotting consumers said they intended to avoid, and more than 40% of consumers said they considered to be "extremely American." On that scale, Marlboro was found to be the most problematic. Sixty percent of respondents said they avoided the product, while two-thirds said they considered it to be "extremely American." Only McDonald's had a higher "American" score, at 73%, but only 42% of respondents said they avoided the Golden Arches.

In contrast to Visa's performance, 48% of boycotting consumers said they would definitely avoid using American Express; 64% said they thought the company was "extremely American," and only two percent reported using it during the previous month. Other problem brands included Exxon-Mobil, AOL, American Airlines, Chevron Texaco, United Airlines, Budweiser, Chrysler, Barbie Doll, Starbucks, and General Motors.

The latest poll found that more than two-thirds of European and Canadian consumers have had a negative change in their view of the United States as a result of U.S. foreign policy over the past three years. Nearly half believed that the war in Iraq was motivated by a desire to control oil supplies, while only 15% believed it was related to terrorism.

Nearly two-thirds of European and Canadian consumers also said they believed U.S. foreign policy is guided primarily by self-interest and empire-building, while only 17% believed that the defense of freedom and democracy is its guiding principle. Half of the entire sample said they distrusted U.S. companies, at least in part because of U.S. foreign policy. Seventy-nine percent said they distrusted the U.S. government for the same reason, while 39% said they distrusted the American public.

Fully 87% of German, 84% of French, and 71% of British respondents had negative feelings toward Bush himself. Moreover, British, French, and German consumers all felt that the cultural values of the other two countries were closer to their own than "American values."

(Jim Lobe is a political analyst with Foreign Policy In Focus, online at www.fpif.org. He also writes regularly for Inter Press Service.)

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