Three interlinking concepts: Intellectual Property, Nation Branding and Economic Development.

Simon Anholt[1]

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Introduction

Not many countries are lucky enough to be economically wealthy, yet virtually all are rich in intangible assets: almost every country on earth possesses a wide variety of cultural, historical, geographical, human and intellectual capital. But in most cases, for one reason or another, there have not been the right conditions, the ability or the motivation to translate these natural assets into consistent economic performance.

Yet in a global economy increasingly driven by services, intellectual assets and 'virtual' products, the human capital of nations is more than ever the critical factor in their economic progress, and a lack of conventionally marketable resources is even less a bar to economic development than it has been in the past.

Whether the product being sold is tangible or intangible, intellectual capital plays another vital role in the modern economy by adding value to the product. Without a distinctive and attractive brand, few of today's leading companies could have achieved, still less maintained, their profitability, their market share, or the loyalty of their consumers and employees.

There seems little question that the same basic principle applies to countries. Without a powerful and positive reputation or "nation-brand", no country can consistently compete for consumers, tourists, investors, immigrants and the respect and attention of other countries and the world's media.

Brand is a critical factor because impeccable quality, performance and reliability are simply the cost of entry to most modern marketplaces: they are not sufficient to create lasting competitive advantage or even regular sales. Brand is what drives consumer choice when products and services are broadly equivalent.

'Brand' is a useful summation of the intangible competitive assets of an organisation or a country: its vision, its genius, its distinctive character, its people, its promise to the marketplace. These are the factors which, when aligned around a clear strategy, give it sustainable competitive advantage, the right and the ability to charge a

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[1] Simon Anholt is an advisor on Public Diplomacy to the British Government as well as to a number of other governments and UN agencies. He is the author of *Another One Bites the Grass* (Wiley, 2000), *Brand New Justice* (Elsevier, 2003 and 2005), and a co-author of *Beyond Branding* (Kogan Page, 2003), *Destination Branding* (Elsevier, 2000 and 2004), *Heritage and Identity* (Donhead, 2002), and *Brands and Branding* (Economist Books, 2004). His latest book, *Brand America,* was published by Cyan Communications in Autumn 2004 and will be followed by *Brand China* in late 2005. He is also Editor of the journal *Place Branding and Public Diplomacy* (www.placebranding.com), published quarterly by Henry Stewart Publications.

consistent premium, and customer ‘permission’ to constantly innovate and extend the range of products and services on offer. It is not surprising that the market capitalisation of many companies puts a value on their brands which is many times greater than their tangible assets, and if it were possible to measure the brand value of countries, it would exceed their physical resources by an equally large factor.

There may be many reasons why the intangible assets of poorer countries have not been ‘set to work’ for the economic growth and prosperity of the country, but brand theory suggests a highly significant one: the lack of a powerful strategy for deploying them in a productive and harmonised way.

Nation Branding

Most people are familiar with what marketing academics call COO or *country of origin* effect – in other words, the power of an explicit or implicit Geographical Indication to add appeal to products and services, to create a price premium for them, and to stimulate customer loyalty towards them. Japanese electronics, German engineering, French luxury goods and Italian fashion, for example, enjoy such a positive reputation that many consumers will pay a substantial premium for previously unknown brands in these sectors simply because they *sound* Japanese, German, French or Italian.

It is a basic tenet of nation-branding that COO affects far more than a country’s exported goods and services: it makes a significant difference to the world’s acceptance of the country’s people (whether as employees, investors, immigrants, politicians or media stars), of its sporting and cultural endeavours, of its political and diplomatic relations with other countries, of its tourism and heritage attractions, of its investment offerings, of its media and other intellectual and creative productions. A country’s brand impacts virtually every aspect of its international engagement, and thus plays a critical role in its economic, social, political and cultural progress.

When a country is widely known and admired for its competence in certain areas, its values, its culture, it has a considerable advantage over those countries whose identity is less clear, less well known or less positive. A clear, believable and attractive national brand is achieved when the country’s main bodies, activities and investments are – accidentally or deliberately – organised around a clear and shared vision, and when its communication channels with the rest of the world (tourism, investment and export promotion, cultural relations, public diplomacy and so forth) are harmonised.

These ‘natural’ channels of national communication can be seen as a hexagon:

Fig 1: The Nation Brand Hexagon © Simon Anholt 2002

Each of the points of the hexagon involves different aspects of the intellectual property patrimony of the nation, and together they add up to a single ‘idea of the nation’ which can drive performance in many areas of international trade, relations and cultural and social exchange. Like any other kind of intellectual property, the points of the hexagon need to be managed, protected and, where appropriate, put to work for the good of the country.

When, as a result of clear and inspiring leadership from central government, all of these stakeholders in the nation’s store of IP share a common vision of the country’s future and its current identity, and achieve some degree of harmonisation between their actions and communications, there is a far greater chance of the country’s image fairly and positively reflecting its present reality. This is because the international ‘audience’ is only likely to form a coherent and positive opinion of the country if the majority of the messages they receive from it are broadly aligned.

- **Tourism**

Often the most visible aspect of a country’s brand, tourism is usually also the biggest spender and the most competent marketing force. The touristic ‘idea’ of the nation creates a visual image of the country which can impact many other areas of the nation’s performance – foreign investors, for example, may well be influenced in their choice of country by tourism images, so this particular aspect of the nation’s IP needs to be seen as rather more than a simple sales channel.

- **Exports**

In developing countries, products and services are all too often exported as unbranded commodities. This represents a failure to capitalise on the significant potential for enhanced market value through the IP of brand. Governments which succeed in creating an environment which favours and stimulates innovation, creativity and the constant development of new IP are likely to achieve a highly profitable export sector, which in turn adds value to the national brand.

A powerful, distinctive, broad-based and appealing national brand is the most valuable gift which a government can give to its exporters: think what ‘Made in Japan’ does for electronics, or ‘Made in Italy’ for fashion. Today, branded exports form one of the most potent ways of building and sustaining national image.

- **Governance**

Places are also judged by the part their leaders play in foreign and domestic affairs, and IP activity, just like every other, needs to be performed with sensitivity to the strategic imperatives of the nation brand. When IP policy is in synergy with the other channels, there are few faster ways to establish a place’s position in the global community.

‘Political IP’, as distinct from IP Policy, is another factor which contributes to the nation brand: rather than the government’s management of IP within the country, Political IP is the reputation which the government of a country acquires for distinctive and innovative policy-making, both in domestic and international affairs. Political IP is, for various reasons, one of the hardest elements of the nation’s intellectual capital to control, but it has a particularly strong impact on the other points of the hexagon.

- **People**

One ‘channel of communication’ which is fully equal to the huge task of communicating the complexities and contradictions of a place to the global marketplace is its people. When each ordinary citizen – not just diplomats, media stars and politicians – becomes a passionate ambassador for his or her home country or city, positive change can really happen.

The human capital of the nation is in a very real sense the country’s main source of intangible value: the skills, abilities, values and behaviour of the people are its primary resource.

- **Investment and Immigration**

Many of the best examples of rapid growth during the last century have happened because certain places became magnets for talent, investment and business ventures. A reputation for plentiful intellectual capital invariably attracts more of the same, creating a virtuous circle of accelerating quality and innovation.

A powerful and consistent place brand can help create positive preference and get places on the right shortlists.

- **Culture and Heritage**

The intellectual capital of the nation’s heritage, history, culture and geography is often well known but inefficiently or inadequately channeled into ‘added value’ for sellable assets. For example, it is often not adequately used to add value to the tourism proposition.

Places which treat growth as a purely economic issue run the risk of developing a two-dimensional brand image, of interest only to investors, tax exiles and currency speculators. Culture, heritage and sport provide the third dimension, giving places richness, dignity, trust and respect abroad, and quality of life at home.

Reality and perception: the benefits of nation branding

The brand images of countries, whether good or bad, are seldom an entirely accurate reflection of the reality of the country. In the case of developing countries, the most common reason for this disconnect between image and reality is time: the country may change quite quickly, but its image lags behind by years or decades and sometimes even centuries. Most of the 'transition economies' suffer from an image which has been forged during an earlier and very different political era, and which now constantly obstructs their political, economic, cultural and social aspirations.

It is widely believed, however, that little can be done to correct a country's image: one can blame the media, people's ignorance, globalisation or one's own history, but apparently not even the richest countries can do much to change a negative stereotype once it has become ingrained. Even America, with its virtually limitless resources and influence over the world's media, now seems unable to restore its failing image[2].

But there are enough examples and enough 'best practice' to prove that a country's international reputation *can* be managed and changed to better represent the current reality and future aspirations of the place, as long as there is a clear strategy for doing so, leadership, and proper coordination between government, the public and private sector, and the population in general.

This message is of critical importance to developing nations, which simply don't have the time to wait until their image catches up with the rapid pace of their development. For them, place branding represents a way of ensuring that their fundamental human qualities, their efforts, achievements and ambitions are seen, acknowledged, and properly interpreted in their own region and beyond[3].

In short, nation branding ensures a faster and surer return on the investment which countries, their donors and foreign investors are making in their development.

In a deeper sense, place branding also provides a way for newer, smaller and poorer countries to establish and broadcast their true cultural, social and historical identity, and carve out a 'perceptual niche' for themselves in the global community.

In this sense, national brand is national identity made tangible, robust, communicable and *useful.* It is without doubt the single most valuable item of intellectual property which any nation possesses; and knowing how to protect, develop and exploit this

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[2] See *Brand America – The Mother of All Brands* by Simon Anholt (Cyan Books, London, 2005).
[3] See *Brand New Justice – How Branding Places and Products Can Help the Developing World* by Simon Anholt (Elsevier, Oxford, 2003/5).

asset is the key for translating the intangible wealth of developing countries into economic growth.