4th International Conference on Governance and Strategic Management • ICGSM •
"The Circular Economy"

Burgas Free University
BURGAS FREE UNIVERSITY

4TH INTERNATIONAL CONFERENCE ON GOVERNANCE & STRATEGIC MANAGEMENT (ICGSM)

THE CIRCULAR ECONOMY

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FROM COUNTRY BRANDING TO COMPETITIVE IDENTITY – AND EVEN FURTHER

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In recent years, country image centres and country brand councils have been created all over the world, because countries noticed that a better country brand may result in more tourists, stimulate foreign investment, and strengthen export. At the same time, the competition of countries is becoming more intense. In 1945, the UN had 51 member states – today, the number is 193. These states all "fight" for the above reasons: tourists, investors, export, etc. Fortunately, they do not fight for these things with weapons, but marketing tools. However, country brands and their development, that is, country branding also has its special characteristics. This article discusses these aspects, and concludes with the dilemma if there is country branding at all. All this is closely connected with the theme of the conference: governance and strategic management.¹

Keywords: Country branding, country image, strategic marketing, strategic management

The emergence of the concepts of country brands and country branding

"The art of marketing is the art of brand building", said Kotler, "the Pope of marketing" (2000, p. 85.). Ries and Ries (2002, introduction, p.x.) even go as far as to say that the time is near when "branding" will be a more widespread expression than "marketing".

The spread of branding is well demonstrated by the fact that it has become a part of everyday vocabulary – still, if we consider countries, the vast majority are scared to use the expression (see Anholt 2002, pp. 231-232.). As French academic Michel Girard explained in 1999 (quoted by Olins 2004b, p. 18.),

"In France the idea of re-branding the country would be widely unacceptable because of the popular feeling that France is something that has a nature and a substance other than those of a corporation. A corporation can be re-branded, but a state can not. One can take a product, a washing powder for instance, and then change the name which is actually done very regularly. Regular re-branding is normal, particularly in the life of consumer products, but can this actually be the case for countries? ... A country

¹The publication was created in the framework of the Development of Public Services and Public Administration Operative Program, in the Competitiveness in public service (Vesnyéképes és köz szolgáltatások) subproject of Budapest Metropolitan University with the support of the KIFOP-2.1.2-VEKOP-13 Public service development for the establishment of good governance (A jó kormányzat megalkapása kormányzati-fejlesztés) project coordinated by the National University of Public Service
carries specific dignity unlike a marketed product... In France it is unimaginable that Chirac would attempt to re-brand France."

On the other hand, for example, former British prime minister TONY BLAIR used the terms "country branding" and "country rebranding". In fact "there is nothing particularly novel about the concept of branding the nation. Only the word 'brand' is new. National image, national identity, national reputation are all words traditionally used in this arena and they don't seem to provoke the same visceral hostility as the word 'brand'" (OLINS 2004a, p. 168).

What is more, if we put branding in a broader perspective, and think of the words of the quoted scholar, the rebranding of France is not a new idea as there have been examples of it in history. For instance, when during the Great French Revolution the Fleurs de Lys was replaced by the French tricolour, Marseillaise became the new national anthem, the traditional system of weights and measures was replaced by the decimal metric system, and God was replaced by the Supreme Being. According to some people, the first widely known country slogan, "Freedom, equality, brotherhood" was also born at that time.

Of course it would be far-fetched to use the expressions 'country brand' and 'country branding' for the example above, because the concept emerged not so long ago. Several sources state that SIMON ANHOLT was the first who put the concept of "nation brand" on paper in 1996, when, according to his own account, he "was getting bored with spending his life making already rich companies a little bit richer" (RENDEZ 2003). Therefore ANHOLT, having been engaged in the marketing of multinational companies (Coca-Cola, Nescafé), decided to start a completely new venture: he decided to specialize in country-branding.

It does not mean that the theory or practice of country branding had been an overlooked topic before 1996, but its name was different at the time. In 1993, a textbook on place marketing was published, which also dealt with countries. The book was titled "Marketing Places: Attracting Investment, Industry, and Tourism to Cities, States and Nations", and its most important author was who else than PHILIP KOTLER. However, if we take a broader perspective, national identity had always been mentioned in political geography, international relations, political science, cultural anthropology, social psychology, political philosophy, international law, sociology and historical science. Rather interestingly, university marketing experts had not devoted their attention to country brands, but brands from specific countries, that is, the "country of origin effect". For example, Papadopoulos and Heslop (2002, p. 297.) counted 766 significant CoO-effect publications from the previous 50 years, but also pointed out that there had not been appropriate surveys on the image of individual countries. (p.302.).

The breakthrough was a special issue of Journal of Brand Management, published in 2002, which focused on nation branding with essays by renowned authors including PHILIP KOTLER, DAVID GERTNER, NICOLAS PAPADOPOLOS, LOUISE HESLIP, WALLY OLINS, FIONA GILMORE and CREENAGH LODGE. In November 2004, a new academic journal was created with the title Place Branding. Books on the same topic followed: in addition to three writings by SIMON ANHOLT ("Brand New Justice", "Competitive Identity", and "Brand America" co-written by JEREMY HILDRETH), a "more academic" title edited by, KEITH DINNIE was also published with the title "Nation Branding" in 2008.

However though, the "country as a brand" approach is not yet spread as most authors specialized in the field use the word 'image' and the terminology 'country image' instead. (see JONES – MALOTA – SIMON 2008). Nevertheless, arguments in favour of country brand and country branding include:

- On the one hand, branding has some sort of established system, while image building does not involve such a framework – notes JEREMY HILDRETH, an expert at Saffron Consulting, whose clients include companies (Lloyd's, Louis Vuitton, Turkcell) and countries (East Timor, Latvia, Poland). (See an interview with him: PAPP-VÁRY 2006).

- On the other hand, brands "have direct and clear links with money, value and profitability ... This is one of the principal reasons why the word 'brand' has ousted all other concepts – identity, image, reputation, character, etc. – in business", explains OLINS (2004a, pp. 223-224.).

But let us examine what country branding in the 21st century actually means.

**New competition**

"Today, nations must fight with each other in several fields – for example, investments, export, and tourism. This is a new phenomenon. In the course of history, tourism has not been of great importance, investments have been limited to a relatively narrow range of companies, and export usually included national products that had been transported to traditionally formed markets. Globalisation has also reshaped the rules of the game in this field", says OLINS (2004a, p.176.).

In fact, the fight of countries has become more multifaceted than it was a hundred years ago. In addition, the number of countries has increased.

But how did we get so many countries? In the beginning, new states were created as the colonies gained independence, and these "new states" gave themselves new names immediately, or within a few years (See for example PAPP-VÁRY 2016). When the Soviet bloc collapsed in the early nineties, a process similar to the colonies' achievement of independence could be witnessed. "There were eight countries in East Europe in the Communist era. When the Berlin Wall collapsed, the Baltic states became independent, and the Soviet Union was dissolved, there were twenty-eight countries instead of eight countries. ", says GYÖRGY SZONDI, a Public Relations lecturer at the University of Leeds (BRANDFOCUS 2006).

If we do not only consider the increase in the number of countries, but also take into account that:
- democracy is gaining ground worldwide, which makes the work of governments more transparent,
- the role of international media is increasing, which also increases transparency: people are more well-informed than ever,
- travel costs are decreasing, while purchasing power is increasing,
- investment in other countries is becoming easier, you can "outsource" several activities
- specific products may come from any countries worldwide,
- the demand for "brains", the most qualified workforce is increasing; moreover, countries are also competing for students,
- certain international organizations provide resources for states that are in need and "lobby" appropriately,
- mass media, telecommunications, and Internet have created the global village: we may get a lot of information about any place immediately with a Google search,
- therefore borders disappear in a sense; the expressions "foreign country" and "foreigner" lose their meaning; it is like visiting our neighbours in the neighbourhood,

then it is clear that this is a whole new world.

We could also say that there is a new era in the competition of nations. Although military clashes are still quite common in certain areas of the world, in most places wars are not waged with traditional weapons, but marketing tools (see for example VAN HAM 2002b, p.265.). Moreover, the battlefield is nothing else but the mind of consumers. (RIES and TROUT 1997). Various countries would like to occupy as distinguished position and as big area here as possible, because this means tourists, investors, and more people buying the products of the countries.

Therefore ANHOLT (2005, p.13.), ANHOLT and HILDRETH (2004, p.44.), PLAVSK (2004, p.3.), and VICENTE (2004, p.1.) call branded countries "soft powers", as opposed to previously established, revulsive "hard power" based on authority and violence. Therefore it is no accident that countries take over well-established global corporate strategies, because 51 of the 100 strongest economies in the world are not countries, but companies.

"In the world of business branding is the same as everything else: a sales tool", says CHEVERTON (2005, p.249.). If we go further in the idea, a good country brand always means competitiveness, just like a classic brand would – that is, a good brand drives "sales". It is no accident that the father of the notion, SIMON ANHOLT introduced the term "competitive identity" in 2007.

We may add that countries must strive to achieve what the philosophy of Procter&Gamble says: "Big brands always represent something. Something that is interesting for consumers, something that the brand delivers better than its competitors, something that stands the test of time, and remains consistent."
The aims of country branding

There is consensus among the experts of the field that the aims of country branding are the following:

1. The promotion of tourism, the attraction of tourists to the specific country, and increasing the number of nights and the amount of money spent there.

2. The encouragement of investment coming in the country.

3. The development of export, and improved sales of the country’s products on foreign markets.

There is a dedicated organization for each of these purposes in most countries, and the problem is that there is no central body coordinating these. "The lack of a uniform concept leaves its mark on communications both domestically and internationally. As communications is managed by several agents, there is no one actually managing country image, and the essence is lost among these several parties", said TAMÁS BARÁT, the Hungarian coordinator of the International Public Relations Association in 1997, during the Magyarország 2000 (Hungary 2000) conference.

This can best be illustrated by the example of crabs caught from the sea. Fishermen have known for several hundred years that they can put crabs in an open basket, and leave it on the ship or the seashore. Although the crabs could crawl out with a little help from each other, they try to get out individually, and never manage to escape.

Some countries have already noticed this and created central organizations, country image centres, and country brand councils. Nevertheless, these organizations also have difficulties with resolving a few contradictions. For example, each group may have a different focus of the country image. One of the most important differences is that a country can be "sold" to tourists with rural, old-fashioned, traditional images, but investors look for an emphasis on high-tech, youth and dynamism. Anyway, as OLINS (2001) points out, you do not have to communicate something else, but the same thing a little differently. ("You don't say different things, you say things a bit differently").

It is also important to point out that the three aims mentioned above are not only valid in an international environment. The primary aims of country branding can also be interpreted in a domestic sense:

- The promotion of tourism also includes domestic tourism. The more attractive our own image of the country is, the more likely we will travel domestically.

- Investments can also be interpreted in a sense that national enterprises should stay in the country, and not relocate their seat and capacities, for example, to a neighbouring country. As ANHOLT (2005, p. 85.), PAPADOPOULOS and HESLOP point out (2002, p. 302.), in several places foreign enterprises enjoy greater benefits than domestic ones. This is not necessarily a good strategy in the long run.

- The sales of a country’s products should not only be increased in the international market, but domestically as well. There are two extremes in this regard: while JAFFE and NEBENZAHL (2001) think that these campaigns are rarely effective, BAKER and BALLINGTON (2002) strongly claim that the "Buy Domestic" attitude does not only develop the domestic market, but these brands gain momentum, and (having become stronger) achieve international success.

It is also important to point out that although the most important aims of country branding are economic, good country brands may have other additional effects. The international professional literature usually mentions two of these aspects, therefore I will only discuss these below:

4. A greater role in international organizations and foreign policy:
Several authors do not include this point in the aims (and results) of country branding, because they think that this depends more on the size of the country and the population, economic recognition, etc. However though, there is a noticeable connection between the two: the perception of the country (that is, the brand image) may play a significant role in the accession to international organizations. "The creation of a brand is not only desired from an economic point of view. It also has significant political and strategic implications that even affect the pace of NATO and EU enlargement." – says VAN HAM (2002a, p. 5.).

5. Improving the well-being of citizens: This is an aspect that is often forgotten, although it may be the most important one: people living in a country should be proud of the country and feel great there. In this context, some authors go as far as to state that if people are involved in the branding process, it "promotes the development of social dialogue" (ASHWORTH and VOOGD 1997, p. 78.), increases "internal social national cohesion" (DEMON 2006), and strengthens democracy itself (KYRIACOU and CROMWELL 2001a).

Country brands and the characteristics of country branding
“Although the creation of a national identity developing plan is a more complex task that requires more serious coordination than the creation of a commercial plan, their essence is the same. Both commercial and national brand-creating plans aim to create a clear, simple enterprise that can be distinguished from everything else, which is often based on emotional elements both verbally and visually.” – says OLINS in his book On Brand and (2004a, p. 186.). In agreement with these statements, I think that it may be useful to try and list similarities and differences.

In their study “Company versus Country Branding” (2002) KLEFFE and MOSBERG reflect upon the differences that occur in the case of a ‘classic brand’ and a country as a brand.

I created Table 1 supplementing their thoughts and ANHOLT’s (2007, p. 81-85.) ideas. These statements do not only describe the process of branding, but very often the brand itself, too.

<table>
<thead>
<tr>
<th>Table 1 – The comparison of a classic brand and a country brand</th>
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</thead>
<tbody>
<tr>
<td><strong>Classic brand</strong></td>
</tr>
<tr>
<td>Clear ownership</td>
</tr>
<tr>
<td>Management is a decision by the owner</td>
</tr>
<tr>
<td>Aim: profit for the owner</td>
</tr>
<tr>
<td>Top-down control</td>
</tr>
<tr>
<td>The image of the brand consists of a few elements</td>
</tr>
<tr>
<td>Consistent marketing communications in a few channels</td>
</tr>
<tr>
<td>Brand name is fictional and can be changed</td>
</tr>
<tr>
<td>The brand is temporary</td>
</tr>
</tbody>
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Thinking this further, it is worth highlighting the most important characteristics defined by country brand building, that is, country branding.

**Good touchpoint management**

Places where consumers get in touch with the brand (be it a shop or TV commercial) are called touchpoints in marketing literature. In the case of a product brand, these points can be quite clearly defined and (in most cases) controlled in an appropriate way by the owner/management – for example, where the product should be placed on the shelves, how they should advertise it, how the website should look, etc. "Wherever we come into contact with a brand ... the feeling is the same”, says OLINS (2004a, p. 195.)

However, in the case of a service brand, the number of contacts is more complex, because these are human interactions after all. JAN CARLZON, former Chief Executive Officer of the SAS airline holding calls these the “Moments of Truth” (1989).

In the case of a country, the number of touch points is even higher, and most of them are difficult to control. “Nations present themselves in a million way every minute. 24 hours a day.” (OLINS, 2001).

"Marketing is too important to be left to the marketing department.”
These are the words of DAVID PACKARD, founder of Hewlett-Packard, referring to the fact that in an organisation even the tiniest action amounts to marketing: how the receptionist picks up the phone, how the assembly worker employed at a factory refers to the company during an evening with his acquaintances, etc.

This is obvious in the case of a country brand: as it does not have a real owner, it is shaped by everyone who lives there. (see PAPADOPOULOS and HESLOP 2002, p. 295.) As RECHINZER says, "settlement marketing is shaped by every citizen of the settlement" (1995, p. 15.). This does not only apply to hospitality, but also to the general attitude of people.

Nevertheless, as I have mentioned before, none of this means that the management of a country (including the government) should not do all it can in order to exert a positive influence. Still, their efforts are not enough in themselves. If locals are not involved, it is only propaganda, not branding (see "Can a nation be branded?", LOGOLOUNGE 2003, and ANHOLT 2005b).

THERESA HOUSTON, Chief Executive of the Scotland the Brand programme said, "We made a mistake in one thing. We did not sell the image effectively enough domestically. It took 7 years (!) to realize that we must also sell ourselves to Scottish people, to make sure that the country is in line with the prior expectations of foreign visitors." (ITC EXECUTIVE FORUM 2002).

Hungarian expert ELEMER HANKISS also expressed a similar opinion (1999, p. 211): "Shaping the identity of a country is not only the responsibility of institutions and professionals. Their knowledge and work is essential, but without the participation of the whole country, its institutions, the press, the plenty of citizens, the invention and acceptance of ourself as a country and the communication of our values to the world outside shall not become a matter of common concern. In that case, even the most ardent expert work shall to waste inevitably."

As ANHOLT and HILDRETH explain wittily (2004, p. 81.), "One big difference between selling a tin of beans and selling a country is that you don't need to ask the beans what to put on the label."

Using popular terminology, country branding in this sense must be real PPP, that is, public-private partnership (see ANHOLT 2005a, p. 130., BAKER 2002, BENNETT 1999, pp. 48-49., GARAMHÉGYI 2004, p. 278.): politicians, businessmen and civil society all must be involved in the process.

There is no country branding without country building

Country branding also requires actual changes in the country. Just as in the case of classic brands, innovation and novelties providing news value are needed. According to ANHOLT (2007) the two mottos are:

1. "Actions speak lauder than words."
2. "Don't talk unless you have something to say."

If we do anything just for the image, for example, saying that something is true, although it is not yet, it is propaganda. This is also the focus of the viewpoint expressed by Hungarian authors PISKÓTI et al. (1997, p.31.): "If we only concentrate on communications tools, and and break away from real tendencies, the efforts for change will not be credible, and the desired processes will not start. In such cases (...) schematic propaganda does more harm than good." Andras Wermel explains that "it is wrong to believe that you can sell something just because you cover it with glaze. Marketing is not advertising, but a process that includes the construction of something we think will do good for the people." (MH 2006).

It is no coincidence that when the Nigerian minister of telecommunications announced the launch of the country's first image campaign, several critics said that Nigeria should rather deal with key problems such as poverty, diseases, or the situation of education. Many people think that he campaign with the message Good People, Good Nation was "meaningless, stating that merely using slogans and eye-catching colour combinations will not change the image of a country where members of the government steal, falsify election results, and sometimes eliminate members of the opposition." (MARK&MEDIA 2009). In addition, the Internet further ruined the not-so-bright reputation of the country as a result of an international online cheat series called 419 Scam, when Nigerian online scammers promised quick wealth in return for the banking data of victims.

In accordance with the above, ANHOLT says that "80% of country brand building is innovation, 15% is coordination and only 5% is communication" (2007, p.37.):

The branding of a country is a long-term process, therefore it must be managed by an independent organization

Although the building of a country image, or the rebranding of a country may only be implemented involving the government and the prime minister (as their support is essential), these tasks must be performed by a body that is as independent as possible.

As Hungarian author BÉLA POMOGÁTS said in 1999 (p. 19.), "The management and display of country image is a universal task of political institutions, which stands above party politics and interests (or should stand above them). Its development must always be safeguarded by universal national interests, and, accordingly, an overall national strategy prevailing over political parties. The development of national image may not be affected
by political career interests, because it would not reach its objectives, but, on the contrary, could lead to a decrease in the country’s credibility and international significance."

GYÖRGY SZONDI gave voice to a similar opinion in his radio interview in BrandFocus (2006), saying that "a lot of examples prove that the branding of countries that became successful had not been the prey of politics and had not been politicized. Politicians very often build their own brand, and sometimes they also use the brand of the country for this purpose. However, the more politics or politicians are involved in the national branding concept, the greater the challenge becomes."

The usefulness of apolitical branding is also justified by the fact that country branding, or rebranding is usually a long-term, 15-20 year programme, but governments may change every four years (see the writings of KURucz 2005 and OLINS). "The image of our nation may not be replaced overnight. This change may only occur in the long term, as a result of conscious development", said SZELES ten years ago (1996, p. 36). In addition, branding must be based on the greatest advantage(s) of the specific country – and it has nothing to do with politics (BAKER 2002).

There is no standard formula for country branding

No matter how many common aspects we can find, each country is different, and there are no magical formulas that can be used for all of them. Each country has its own purposes, resources and competences.

But one thing is common: branding does not only mean the creation of a new logo, slogan, or brand name, but a coherent, comprehensive process including positioning and the entire toolbox of communication (see ANHOLT 2005a, GARDELLA 2002, LÁSZLÓ and KORÓDI 2005, LINDSAY 2000, OLINS 2004b, 2003, PIKÓTI 2004). However, it is important to emphasize once again that brand image does not only depend on this process, but there is a serious chance that it will improve as a result.

Do not overestimate and do not underestimate the effect

Finally, it is worth mentioning the ideas of ASHWORTH and VOOGD, the experts of a related field, city marketing (1997, p. 230): "Consequences that are also the concomitants of the first use of all revolutionary looking ideas stem from the novelty of the subject: the camp of supporters optimistically overestimates likely benefits, while opponents emphasize their exaggerated, often unfounded reservations."

A dilemma instead of a summary – Is there anything like country branding at all?

The theoretical foundations of country branding (and nation branding) have become stronger in recent years. Nation Branding: Concepts, Issues and Practice edited by KEITH DIANIE was published in 2015 in an extended edition with new examples. MELISSA ARONCZKY published her book Branding the Nation: The Global Business and National Identity in 2013. NADIA KANEVA focused on our region in her work Branding Post-Communist Nations: Marketizing National Identities in the “New” Europe in 2014. The author of this article, ÁRPAD PAPP-VÁRY published a writing in the book Nation Branding – Concepts and Country Perspectives published in India (ed. NISHIT KUMAR and AMIL VARNA, 2009) accompanied by co-authors like the abovementioned MELISSA ARONCZKY, or SIMON ANHOLT and WALLY OLINS, the most renowned experts of the field, mentioned in the earlier parts of this article. In the meanwhile, the literature of marketing and professional conferences often include opinions like:

"The idea of nation branding is ridiculous: take a country and change it into a consumer product!"

"If nation branding really worked, we would all have become citizens of the Third Reich, not the European Union, because no one was better at nation branding than Joseph Goebbels."

"Governments that spend taxpayers’ money on emphasizing to the world how cool, fantastic, wonderful, or attractive their country is, are not even worthy of power, and should go to jail because of this meaningless activity."

"The truth is that there’s no model that would justify the effectiveness of nation branding. Many governments use it, but they never assess the results, and are never able to prove that they have been effective."

"I don’t believe in the existence of this method, but even if it does exist, it has probably nothing to do with communications, logos, or slogans – maybe it has something to do with government measures."

In addition, the same person is parroting them all. The most surprising thing is that this man is none other than SIMON ANHOLT, the number one expert of the field (for example, see his talk in PAGEO Club, Budapest in 2016, and its transcript titled The great country brand swindle published in Hungarian Geopolities Magazine).

True, he also says that he only introduced the notion nation brand in the nineties, which was based on the observation that the image of countries is
often more important than reality. Other people added "ing" to the term, releasing the 'dangerous' expression nation branding out of the bottle. In 2009 ANHOLT tried to cool the situation by introducing the term competitive identity instead, but it was already too late, and sounded much less 'sexy' than nation branding.

Then he retired for two years in order to examine the 300 billion (!) data points of his research to find out "why people like one country more than another", and realized that the following five points are the key aspects of the question (see ANHOLT 2016):

1. **Morality:** Is the country good or bad? "Are we happy about its existence? Does it have a positive effect on the world? Does it act correctly? Or is it a bad, dangerous, or useless member of the international community?"

2. **Aesthetics:** Is it beautiful or ugly? "If we think that a country is beautiful, we tend to believe several other things about it (...) People think that Canada is an eco-friendly country because it is beautiful."

3. **Relevance:** What does this country have to do with me? How does it affect my life? "Why would we expect that people around the world know and respect Hungary? Do we know and respect the countries of others?"

4. **Power:** This is not the 'soft' power explained by Professor JOSEPH S. NYE (2005), but real 'hard' power. "It means whether the country has real economic, military and territorial power, or a great population, and whether they can force their will on others."

5. **Development:** "Are there smartphones in the country, or are they still plowing the land with oxen?"

"These are the five main factors in people's minds. When they think of foreign countries, these are the characteristics they consider in a fraction of a second. (...) When I analysed results, I realized that the first point was by far the most important. The most important aspect for people is how that specific country contributes to humanity. (...) This is the essence of exploration. People like good countries. Therefore, if we would like a better image, the only way to achieve it is to do something which makes people grateful for our existence. In other words, if we act for them." (ANHOLT 2016, pp. 145-145.)

"What is the first rule of marketing? The first rule of marketing is not to brag about how fantastic our product is. We must get to know our customers and their needs instead. The same applies to countries. (...) People are not interested in successes. They are only interested in what the specific country did for them that week." (ANHOLT 2016, p. 145.)

This is what all countries must find. What can the country do for the world this week? And the next week, and the week after next, and so on.

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