

Nation Branding of Small States through Economic Diplomacy: Prospects and Challenges (A Case Study of Sri Lanka)

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1 INTRODUCTION

At a glance, branding is very much related to products. Branding gives a particular product a unique identity and greater consumer base which ultimately help to increase the revenue for the branded product. However, today branding is not all about products. At present, a country image is a key factor in attaining national interests. In today's highly competitive market place, the country image has become a critical success factor which is difficult to build and sustain (Odia and Isibor, 2004, p.204). One major reason as to why countries focus on nation branding is to gain competitive advantage. Nation branding was first put forth by Simon Anholt in the late 1990s. Nation branding can be simply identified as the unique, multi-dimensional blend of elements that provide the nations with culturally grounded differentiation and relevance for all its target audience (Dinnie, 2008, p.15). Despite the fact that nation branding is a complex and controversial phenomenon (ibid, p.13), it is one which is growing in frequency given the increasingly global competition that nations now face in both their domestic and external markets (ibid, p.17). According to Anholt (2010), nation branding is an idea that has gained much currency during the last 10 years, and as he argues, a good national image, attracts tourists, investors and talent, enhances exports and wins the approval of other governments and international public opinion; with a negative or weak image, everything is a struggle (ibid). As Dinnie

(2008) suggests, the unbranded state has a difficult time attracting economic and political attention, and that image and reputation are becoming essential elements of the state's strategic equity. Nation branding is so much important for small states compared to the powerful states. After an in depth study of literature on small states, a working definition on small states has been put forth. Accordingly, a small state is a state that can never act alone and make a significant impact on the international system, using its quantitative or tangible elements of power. These elements include geographical size, population, military strength etc. Going by this definition, given small states' inability to influence the international system through its hard elements of power, small states like Sri Lanka should use nation branding as one of the key policy objectives.

As far as Sri Lanka is concerned, today it is at a crucial juncture as it strives hard to promote cooperation with all the countries in the world as a mean of fulfilling its national objectives. Looking at the foreign policy dynamics of the country, especially during the post presidential and general election in 2015, several significant changes can be observed. Largely driven by its economic interests, today the country is making effort to strengthen its relations with all countries alike. Since 2015, Sri Lanka is striving to attain economic development, through greater



international cooperation. The main pillars of Sri Lanka's new economic development program include: trade, foreign direct investments and tourism. In other words, the current government in particular has given greater importance to economic diplomacy. Soon after assuming duties, the former Minister of Foreign Affairs, Ravi Karunanayake highlighted the importance of enhancing commercial diplomacy to usher the country towards economic prosperity. Economic diplomacy can be simply defined as the management of economic relationships between (two or more) countries (Romih and Logozar, 2014, p.135). Today the country has identified economic diplomacy as the main tool of branding Sri Lanka in the world stage, especially as a small state, as mentioned earlier, economic diplomacy plays a critical role in attaining its national objectives. Economic diplomacy consists of a number of pillars and among those, trade, investments, tourism occupy a prominent place.

Looking at Sri Lanka, today, these pillars of economic diplomacy are what some areas of the country is banking on. Against this backdrop, this particular study will focus on branding Sri Lanka, which falls under the category of small states, through economic diplomacy. The main objective of this study will be to understand the prospects and challenges ahead for Sri Lanka in the context of branding itself through economic diplomacy. Among the elements of economic diplomacy, the study will focus on international trade, source of Foreign Direct Investments and tourism. Given that Sri Lanka today is focusing on economic diplomacy as a mean of as a means of attaining its national goals, this study will have greater policy relevance as well.

Main objectives of the research include:

- Understand the importance of nation branding for small states like Sri Lanka
- Understand where Sri Lanka stands with regard to the practice of

economic diplomacy.

- Identify the strengths and weaknesses Sri Lanka exhibits in the context of branding itself through economic diplomacy.
- Identify an effective strategy of branding for Sri Lanka through economic diplomacy.

This particular study is carried out to answer two main research questions, namely:

- Why Sri Lanka needs nation branding?
- How can Sri Lanka brand itself through economic diplomacy?

2 METHODOLOGY

This particular research is a case study which involves an up close, in depth and detailed examination of how Sri Lanka can use economic diplomacy to brand itself. Basically, this research is a qualitative research and the main source of data collection is secondary data source. The study will be conducted based on secondary data collected through various sources including books, journals, magazines, newspapers, Internet and annual reports, surveys and researches conducted by various national and international institutions. The study shall look into a wide array of statistics related to trade, Foreign Direct Investment inflows and arrival of tourists, to understand the recent trends in the practice of economic diplomacy by Sri Lanka.

Further, among the various pillars of economic diplomacy, the study will focus on three main elements of economic diplomacy namely: trade, Foreign Direct Investments and tourism.

3 RESULTS AND DISCUSSION

Looking at the current status of the practice of economic diplomacy, Sri Lanka is certainly lagging behind



compared to many developing countries. With the exception of the tourism industry, both trade and Foreign Direct Investments

do not show any significant improvement. (Figure 1 and Figure 2)

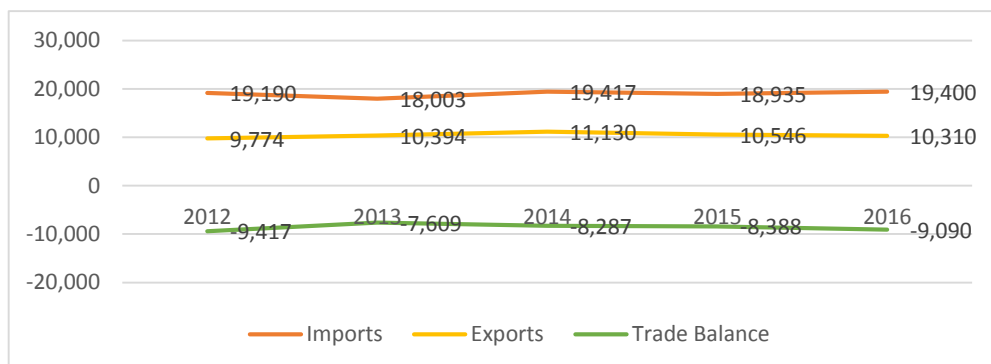


Figure 1: Sri Lanka’s Trade performances 2012-2016 (USD million) (Source: Created by author based on Central Bank of Sri Lanka Annual Report 2016)

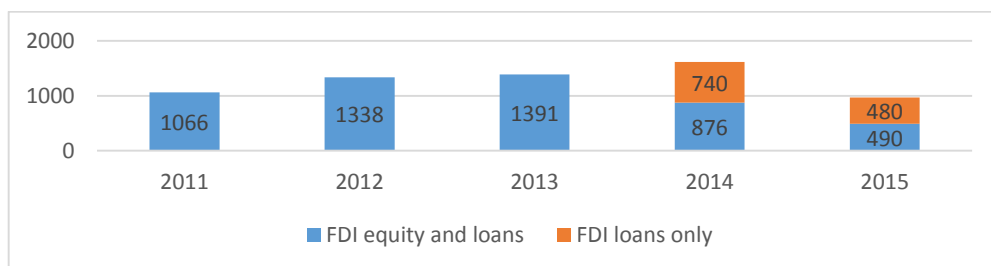


Figure 2: Sri Lanka’s FDI Performance (USD million) (Source: Created by author based on Statistics of Ministry of Development Strategies and International Trade)

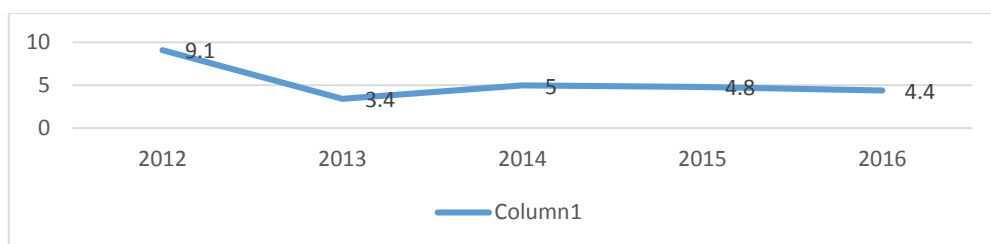


Figure 3: Economic growth rate of Sri Lanka 2012-2016 (% GDP) (Source: Created by author based on Central Bank of Sri Lanka Annual Report 2016)

Looking at the statistics, Sri Lanka’s economic performances over the last few years have been on the decline. Trade and investments in particular have not performed up to expectation. These poor

performances have had a number of adverse effects on the economy. This impact is clearly reflected by the declining economic growth performances of the economy (Figure 3)

Based on results and findings, the study draws up a SWOT analysis in order to clearly understand the strengths and weaknesses Sri Lanka possesses, opportunities to seek and threats to overcome in the context of Sri Lanka branding itself through economic diplomacy. Under strengths, the study has identified: 1) non-aligned foreign policy 2) political stability 3) gradual process towards good governance and 4) membership in regional and international organizations.

Under weaknesses, the study identifies: 1) incompetence of missions abroad 2) lack of coordination among key policy making units 3) overlap of duties and responsibilities among ministries 4) lack of economic freedom and 5) lack of diversification of exports, both in terms of products and markets. With regards to opportunities, Sri Lanka should work on: 1) effective coordination with the Diaspora 2) peaceful environment and abundance of natural resources to attract tourists 3) diversifying exports both in terms of products and markets and 4) enhance regional cooperation. Finally as far as main threats to overcome are concerned, the study has identified three, namely: 1) regional competition for Foreign Direct Investments 2) international competition for major exports.

In the context of branding Sri Lanka, the study has put forward a strategy identified as TACC for C strategy. Here this strategy focuses on how and why Sri Lanka should be accountable, transparent, cooperate and coordinate to attain greater competence in branding itself in international politics.

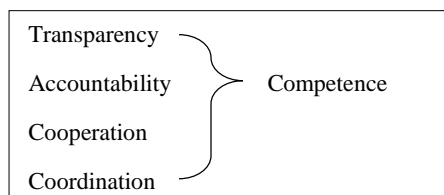


Figure 4: TACC for C concept

4 CONCLUSIONS

In conclusion. It is clear that Sri Lanka has great potential in terms of branding itself through economic diplomacy, as the country already has the background and the willingness. It is a matter of proper implementation. In this regard, the country should first strategically use the strengths to address a large audience of international community; second, to address the weaknesses which obstruct Sri Lanka's objective of branding itself; third to capitalize on opportunities through which Sri Lanka can attract and influence the international community; and finally to effectively counter all threats from external forces.

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