

The Future of Geo-Politics with the Rise of the Virtual State (e-State)

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We live in an uncertain and changing environment. What seemed impossible just a few years ago now is fully present in our lives. New technological tools and e-smart solutions are ready to modify –or better said, are already modifying- our style of life and our social, economic and political relations. Some countries, not large in size neither in population, are leading the wave of a digital revolution, some others –including past great empires- are losing momentum.

In economics, it is well known that primary factors of production are land, labour and capital. But, nowadays, the importance of these factors is changing very fast. With the new scenario in mind, some theories of power in international politics that were relevant in the past are becoming completely obsolete, and thus creating a true new challenge for geo-politics, based on the new role of *land*. The key element is that we face a progressive emancipation from land as a determinant of production and power around the world. This emancipation is an historical event that brings to new forms of states and governance. Well educated citizens, talented people, etc., are becoming the most important resources for any country. All of them are the less tangible resources, but the crucial ones.

According to the American political scientist, Richard N. Rosecrance, author of the book: *“The Rise of the Virtual State”*, the virtual state, or so-called e-state, “is a country whose economy is reliant on mobile factors of

production. It specializes in modern technical, and research services and derives its income not just from high-value manufacturing, but from product design, marketing, and financing. The rationale for its economy is efficiency attained through productive downsizing. Therefore, size no longer determines economic potential. In the process, traditional nation-states, mainly in the European Union (EU), are shrinking both in function as well as in geographic size. For a virtual state the size is not anymore the crucial factor of progress.

Some of the latest events that are happening in the EU show us clearly that the nineteenth century nation-state is in full decadence. We can find still some territorial disputes, and some countries fighting to gain territory, but these cases look to the past. When the products of land no longer determine the market and power relationships, a new form of state is being born: the virtual state, a country based on mobile capital, high productive labour, and information. We are already in a new historical stage. Some countries have already fully recognised this evolution and are investing for leading the future with this new reality. They will have a clear advantage in coming years, while others will just follow behind them.

But how will the pre-eminence of the current nation-state come to an end? If we focus in Europe, as Catalan economic researcher Pol Serrano indicates, “It’s clear that the main culprit will be the treasury. On the other hand, under Trump’s administration leadership “America First” narrative would be put to the test soon enough. It’s obvious that its economic impact will influence, well or badly, the rest of the world. Finally, there is the planned-economy Chinese narrative. The rise of China is a challenge to globalization and capitalism. Pursuing an interventionist agenda over the economy, its strategy is called the One Belt One Road (OBOR). In essence, it is a mega-project of infrastructures that

is not yet clear whether or not will help the Eurasian nations to get out of poverty. These 3 strategies will face the rise, and the impact, of the virtual state, and a monetary revolution, that comes with the possibility of an entirely new system of world politics”.

We cannot rely any more on the fundamentals of nineteenth or twentieth century political schemes. Today, we can be in the forefront of the complete implementation of geo-economics as a method of governance. Its power lies in a revival of the dynamic regions and creative cities, as analysed by the American urban studies theorist, Richard L. Florida, and the hard power of the technological breakthrough. In this new scenario, virtual nations (e-states) will hold the competitive key to greater wealth in the 21st century. They are the engine of a new social revolution, and creates the possibility of an entirely new system.

It is not just about technology. It is much more important and has the deepest consequences. It is clearly a true social transformation. We can see the example of the digital republic of Estonia. A small geographical nation, less than 1.5 million people but fully compromised with digitalisation, which is becoming the world reference for the use of technology, and its capacity for transformation, in benefit of the citizens. The success of the model is based on the collaboration between private and public institutions, the leading role of the political leaders, the ambition and openness of the system, and the belief that technology will help to create a better society. It is obvious that the e-states face major challenges and risks, but they indicate clearly to the rest of the world the path to move on.

In our current international economic order it is an empirical fact that small countries can achieve impressive economic figures. The example of the digital republic of Estonia also can give as a new tool to increase our competitive advantage, that's the case

of the e-residency project, a new digital nation for global citizens, powered by the republic of Estonia. E-residents can establish a company on-line, manage remotely, and achieve location independence. Applicants from more than 154 nation-states have established more than 5.000 new companies. A lot of them successful start-ups led by young talented people. Some other e-solutions include the e-Identity, the e-police, the X-road, the e-Health records, the e-governance, the i-voting, the e-cabinet, the Mobile Parking, the Intelligent Transportation systems, the e-tax, the e-Banking, the Industry 4.0, or the e-School...

Rosencrance states “the model for the nineteenth century could be found in Imperial Great Britain, but realities such as Hong Kong will be the model for the twenty-first one. We pass from territorial through trading states to virtual states. The traditional territorial states such as Spain, Portugal, France (in the European Union), or Russia became major powers, decades ago, through territorial expansion. But, when the returns from the manufacturing trade greatly exceeded those from agricultural and commodity exports they declined. The trading states emerged then in the 1970s and 1980s. Rather than territorial expansion, the trading state sought its vocation through international commerce. At the beginning of the twenty-first century, due to international economic competence, downsizing has become a path to corporate efficiency and productivity gains”.

New kind of corporations have emerged, at the same time with the virtual state; the virtual corporations. These types of corporations disperse its production around the world, focusing on product design, marketing, and financing. Now, the national economy is also being scaled down, and will be also shrink the national public administration. The archetype of this new model is Hong Kong, or Singapore. In Europe, Switzerland and Estonia are

the leading virtual nations. Some creative regions like Catalonia or California could be also among top leaders. These dynamic regions and creative cities with highly educated labour force, and international talent, will move increasingly into services and leave manufacturing production to emerging nations. In international economic competition, human capital is the key to transformation. It is in that new scenario that these regions and cities, with its digital dimension, can bring to society major revolutions for a better life.

Due to all these current changes, implementation of geo-economics as a method of governance will be a must, superseding current geo-politics. It's true that nowadays the language of geopolitics is everywhere, but this proliferation of geopolitical discourse, mainly after the "war on terrorism" stage, is a symptom of its decadence rather than a sign of its vitality. In the article "After geopolitics? From the geopolitical social to geo-economics", authors Prof. Debora Cohen (University of Toronto, Canada) and Prof. Neil Smith (University of Aberdeen, UK) trace emerging geo-economic social forms in three domains: "the reframing of territorial security to accommodate supranational flows; the recasting of social forms of security through the market; and the reframing of the state as geo-economic agent". As already mentioned, the reframing of the state will bring straight forward to the domain of the virtual state.

The director of the European Council on Foreign Relations (ECFR), Mark Leonard, stated at the introduction of the World Economic Forum report "Geo-economics; seven challenges to Globalization", that "in this brave new geo-economic world, the institutions developed for an era of win-win cooperation are increasingly in disarray. In the absence of global leadership, the erosion of global norms and standards and the ensuing shift towards a multipolar, regionalized power dynamic

are apparent. This places acute pressure on leaders around the world, challenging their effectiveness and legitimacy".

To conclude, geo-economics is crucial to the reconfiguration that is taking place in contemporary political geography and governance, and the virtual state, with the revival of dynamic regions and creative cities, will be the new key player in the twenty-first century. Human progress is faster and larger than expected. For current world leaders, their legitimacy depends upon their strategic vision enabling good decisions in order to produce an improvement in the human conditions worldwide. The virtual state (e-state) will bring us to a new stage.