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THE TOPOLOGY OF SOVEREIGNTY

by Jean-Marie Guehenno

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Traditional diplomacy is about territory. It works on the assumption that human communities are organized in sovereign nation-states with clearly defined borders. Such diplomacy is much more comfortable with geography than with anything else. Diplomats love to work with maps.

So in a way there is something strange about a diplomat addressing the concept of virtual diplomacy, of going beyond traditional diplomacy. Territory has been the currency of diplomacy. Traditional diplomacy may be ill equipped to look at a world where territory is no longer the defining principle.

We are witnessing today an event of a magnitude similar to that surrounding the invention of the printing press by Johann Gutenberg. The invention of the printing press destroyed the pretense of the Latin language to universality. It fundamentally changed the relationship between a universal learned class of clerics and the people at large. It changed the relationship between religion and power. One could even say that the eventual birth of the modern nation-state was in some ways a consequence of that event.

What will be the impact of this new revolution in information and communications technologies? Just as Gutenberg's contemporaries, we are not yet fully aware of all its long-term implications. We are too immersed in it to really understand this revolution. I will, however, characterize what might be the implications of this revolution.

I will make three points. The first point is that this revolution in a way is the opposite of the Gutenberg revolution in the sense that it is going to build a new universalism, while Gutenberg's invention destroyed a certain universalism. This revolution has an impact on sovereignty; it destroys the idea of territorial sovereignty.

My second point is that this revolution changes the nature of power.

And my third point will explore some of the implications of this revolution for political institutions.

Regarding sovereignty, we are witnessing today the opposite of what happened a few centuries ago. The printed page shifted power from the hands of the literati to the people, and the idea of the sovereignty of the people eventually replaced the reality of the sovereignty of popes, emperors, and kings.

That shift strengthened the link between sovereignty and territory. Modern states are defined by a common language, which is promoted by a national education. Modern states are also defined by national characteristics. Both are reinforced by the mass production of the first industrial item -- the book. The first industrial product changed the political shape of communities.

Today we are experiencing the exact opposite. Our very concept of sovereignty is being challenged. Let me explain.

The challenge is most visible in the economic sphere, where territorial nation-states find it increasingly difficult to keep up with multinational enterprises that take a global rather than a territorial view of their activities.

Globalization is made possible not only by the falling cost of transportation, but by progress in information and communication technologies that allow for an increased degree of decentralization and of decentralized management, and that make services as tradable as manufactured goods.

The multinational enterprise, which was once a predominantly American phenomenon, is now a global reality. For example, in ten years, between 1985 and 1995, the global stock of foreign direct investments has been multiplied by four and is now nearly \$3 trillion.

What does this mean for states? The distinction between domestic issues and international issues is becoming less relevant every day. The ability of nation-states to conduct an independent monetary and fiscal policy is constrained by the fluidity of capital markets. The ability of nation-states to tax, which is the basis of the power of a state, is constrained by the decisions of multinational enterprises and by the worldwide competition for capital.

Also, the ability of nation-states to distinguish between domestic regulation and

international trade is constrained by the growing connection between trade and direct investments.

Tariff negotiations are no longer the most important issue in trade negotiation as multinational enterprises, which have to think globally, ask for what they call a "level playing field," requiring not only lower tariffs, but harmonization of domestic regulation.

And so in the economic sphere, it is clear that the sovereignty of states has been eroded by the necessity to enter into multilateral arrangements, as we have seen with the creation of the World Trade Organization, and by the emergence of non-state actors that produce their own norms. Such norms are sanctioned by the marketplace, and are particularly relevant when states fail to keep up with the pace of change.

Many people would still argue that what I have said about the economy is not valid for security. Security, they would argue, is still very much about territory. They can point to a Saddam Hussein who grabbed neighboring Kuwait's territory, and they can point to the various groups fighting for territory in former Yugoslavia. Control of territory is still, indeed, perceived as the first requirement of security.

Yet I would suggest that it would be wrong to assume that the sovereignty of states can remain immune to the revolution in information and communications technologies. Wealth and power are increasingly detached from the possession of territory. When China regains political control of Hong Kong, it will only control an empty shell if it does not resist the temptation to meddle with the rules and regulation that have defined the Hong Kong economy.

Territory is no longer the basis of power, nor is it a sufficient guarantee of security. In an age of globalization, characterized by the migration of global capital markets, territorial security can only be achieved if states could transform themselves into large gated communities -- an unrealistic and dangerous goal that could only lead to the impoverishment of the state implementing such a policy.

Actually, the security of our nation-states requires us to look beyond our borders. Of course, we feel that more strongly in Europe because we live in smaller countries, but I think this is a worldwide phenomenon. We have to accept the fact that other states will look into our own borders.

We have to accept the idea that globally accepted norms and regulations of behavior are, in a way, our first line of defense. Upholding them is as important as protecting our territorial borders, requiring a degree of international cooperation and even integration that civilly constrains state sovereignty.

Are we witnessing a change of scale? From the city-state to the nation-state, and

now to the continental state? Some in Europe would like to think that way and to believe that the fundamental framework of the state is not being challenged by what we are witnessing, that we are just building sizeable structures to confront expansive issues.

I suggest that this is not true; that what is happening is actually quite different; that globalization and the information revolution destroy the sovereignty of states as we have known them; that a universalism of efficiency predominates as was the case with a universalism of religion before Gutenberg's invention; that we are witnessing changes the very nature of power. This is my second point.

We have lived in the two-dimensional world of territorial power, and we are entering what one could call the three-dimensional world of network power. Let me explain what I mean.

Territorial power is hierarchical and pyramidal. Small subgroups deal with small issues that are sub-issues of bigger issues. Our political institutions reflect that approach in the allocation of power, as well as in the legal system. Laws are expected to set general principles that are then detailed in particular administrative decisions. Small decisions are expected to flow from big decisions, and the more you concentrate power, the more powerful you are supposed to be.

Particular institutions are still built on this assumption. The emerging information and communications technologies are often used by political institutions as tools that enhance their territorial power.

Such an approach does not work. In the case of totalitarian regimes, it can lead to the illusion of a sort of omniscient, omnipotent, Orwellian center in which big computers will simulate human interactions.

In the case of democratic societies, it leads to democratic gridlock, as concentration of power in the executive branch is matched by concentration of power in parliament, making fully informed decisions increasingly difficult to reach. Concentration of power makes the big decisions increasingly difficult, if not almost impossible, to make.

So I suggest that network power should not be an additional tool of traditional hierarchical power. It is something different, and the implications of network power for organizations and decision making can be more easily observed in corporations than in political institutions.

The increased speed at which information can be transferred and processed changes the nature of the tradeoff that we always face between big, but slow, decisions and quick, but sometimes mistaken small decisions.

I think that we will experience that it will be more effective to make quick

decisions that can be rectified if necessary, rather than to wait to make the perfect, but increasingly difficult, big decision.

Middle layers, which in the traditional hierarchical model serve as filters protecting the higher echelon from an overflow of unprocessed information, are eliminated in corporations. Horizontal links are encouraged. Power is defined less by the number of people you control than by the number of people you are in contact with. Influence replaces control. The boss is not defined by the command of the various specialized knowledge sets of his subordinates, but rather by his ability to establish links between them. His role is less to give orders than to promote a set of norms and to provide a sense of direction.

This kind of power cannot be territorially defined. Territories on which this kind of power is exercised keep shifting as connections change, as rules and norms change in a sort of open-ended competition of rules and regulation.

What does network power mean for our political world, for the resolutions of conflict, for our political management of human communities? I will identify five directions.

First, I think we have to go beyond the reaction we had at the time of the breakup of the USSR and Yugoslavia. At that time there was a feeling that big is good and small is ugly. The issue today is not whether to create other super states-as we see in Europe where integration will continue, but not toward building a super state. People do not want this. People do not want to see power going away from them toward a big bureaucracy that will either be arbitrary or face the kind of democratic gridlock that I mentioned earlier.

And the alternative is neither to move toward a myriad of mini-states pretending that mini-states are insulated from globalization. The real issue is to distribute power. The real issue is not to be unidimensional, but to become multidimensional.

The second point is that political institutions have to become increasingly nimble. They have to accept complexity. We have lived with the idea of pyramidal structures of certain uniformity, with various levels and a symmetrical distribution of power. I think we are witnessing here the end of uniformity. We have to accept overlapping structures. We have to accept some degree of messiness, so to speak, in political institutions.

There is a risk, however, that such messiness will destroy transparency, and transparency is an important element of democratic control. We have to accept that political institutions are going to become much more complex than they currently are.

For example, as we move toward a sort of multi-speed Europe, there will have to be more institutional flexibility. Some see that as a setback from the ideal of a

super state; but I see it as progress.

My third point is that the divide between public and private organizations, government and non-governmental business, has to be bridged. I think that we are entering a world of competition where the division between public institutions that have had a monopoly over the management of territories, and private institutions that were functionally defined, will erode. In-house private institutions will have a growing role in the management of public affairs.

Thus, public and private organizations will have to work together. The most effective international organizations are the ones that can combine the input of states with the input of non-governmental and sometimes private businesses. Here again, the issue is transparency so that the public interest is not hijacked in the joint process.

My fourth point is that we are going to have an increased need for institutions that build a common ground. I think this information revolution makes it possible to have much smaller communities than we have today, to have many virtual communities. Such communities would not have been feasible before now. In this sense, fragmentation may occur. How will communities connect with each other? We will need institutions to foster those connections. I think this is going to be very important.

I will precede my last point with the caveat that traditionally, Europeans are expected to be pessimists, in contrast with the cheerfulness of citizenry in the United States. So I will introduce a downside to my last point.

I think that as we move into that imperial world in which power is going to be increasingly diffused, in which a big decision will be much more the product of small decisions rather than the opposite, there will still exist a world of hierarchical power, of territorial power, of people who perceive power in very traditional terms. The management of the interface between these two worlds is going to be very difficult because the pace and way in which decisions are made in this networked world that we are entering, pose constraints.

Building consensus is slow. Small decisions are made quickly, but big decisions, as I said, are difficult to make. Some of those operating in the traditional world may challenge the networked world. For example, an event such as the invasion of Kuwait by Saddam Hussein would stunt the networked world. Such an event requires an elaborate leadership to build consensus for a collective response. The networked world we are entering is not very adept at reacting to such events. We will need a very elaborate way of managing political leadership, level by level, so as to build a broader consensus.

At this point I have more questions than answers, and, so as to be truly European, I will leave you with that worry.

United States Institute of Peace -- 1200 17th Street NW -- Washington, DC 20036
(202) 457-1700 (phone) -- (202) 429-6063 (fax)
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