Chapman Law Review

Volume 21 | Issue 2 Article 4

2018

Emergence of a New Hanseatic League: How Special Economic Zones Will Reshape Global Governance

Mark Frazier
Openworld

Follow this and additional works at: https://digitalcommons.chapman.edu/chapman-law-review

Part of the Law Commons

Recommended Citation
Mark Frazier, *Emergence of a New Hanseatic League: How Special Economic Zones Will Reshape Global Governance*, 21 Chap. L. Rev. 333 ().
Available at: https://digitalcommons.chapman.edu/chapman-law-review/vol21/iss2/4

This Article is brought to you for free and open access by the Fowler School of Law at Chapman University Digital Commons. It has been accepted for inclusion in Chapman Law Review by an authorized editor of Chapman University Digital Commons. For more information, please contact laughtin@chapman.edu.

CHAPMAN LAW REVIEW

Citation: Mark Frazier, *Emergence of a New Hanseatic League: How Special Economic Zones Will Reshape Global Governance*, 21 CHAP. L. REV. 333 (2018).

--For copyright information, please contact chapmanlawreview@chapman.edu.

Emergence of a New Hanseatic League: How Special Economic Zones Will Reshape Global Governance

*By Mark Frazier**

ABSTRACT

As trust dwindles in public institutions, special economic zones and free cities will have an opportunity to introduce billions of people to new systems of transparent and accountable governance. Thousands of actual experiments in "extrastatecraft"—areas benefiting from concentrated reform—are under way, creating alternatives to the surrounding rent-seeking practices of politicians, bureaucracies, and crony capitalists. Successful areas including Singapore, Dubai, and Chinese Special Economic Zones are being invited to partner in the development of new free zones in poor regions. Virtual realms also now enable such areas to massively expand access to new legal systems and asset-awakening partnerships. As mobile networks grow, zones of extrastatecraft and aligned online guilds of volunteers will be in a position to offer Blockchain-based land registries, smart contracts, eGovernance toolkits, and arbitration solutions to localities that have suffered from misrule and that have sites to commit for future free zone development. In parallel, leading city states and free zones can create virtual resources to help fill gaps for billions who have been shortchanged by public education and dysfunctional job markets. Free and open courseware, online work-study projects, and small human capital investments can help spread understanding of the culture and workings of free economies, and prepare millions of job-seekers for successful entry to rapidly growing global free

* Mark Frazier is president of Openworld, a U.S.-based research and volunteer group specializing in free economic zones and innovative applications of information and communications technologies for development. He is founding chairman of the Startup Societies Foundation (www.startupsocieties.org), a nonprofit organization formed to assist contractually-created communities.

markets for telework. Such initiatives can resolve one of the great challenges to international and national legal systems: providing a solution for the more than sixty million economic migrants, refugees, and stateless persons fleeing from breakdowns of their nation states. A new generation of World Cities—immigration-friendly areas of economic reform comparable in size to Hong Kong and Singapore—can be privately developed as havens for those who demonstrate skills and build reputations in online free markets. This article maps opportunities for a New Hanseatic League of free zones and free cities to fill voids left by dysfunctions in present systems of local, regional, and national governance. Such a network may be in a prime position to provide a legal framework for opening humanity's next great frontiers—including seasteading on the oceans and entrepreneurial communities in space—in ways compatible with current international treaties. It can introduce "nondominium" structures (aligned with Elinor Ostrom's contractual system for management of common pool resources) for humanity's common heritage frontiers, and sponsor "tokenized" commercial ventures that contractually vest all on the planet as beneficiaries of cryptocurrencies issued by entrepreneurial seasteading and spacefaring ventures.

INTRODUCTION

Today's systems of government are failing. Remote power centers and growing politicization of life in large nations have sparked growing movements for decentralization, autonomy, and/or independence. These movements seek to disperse concentrated political power, curb its capture by rent-seeking special interests, and reverse the plunge into untenable debt.

Opportunities are at hand for Special Economic Zones ("SEZs") and startup societies to lead in spreading transparency and voluntary governance. As zones of "extrastatecraft," they have become the world's most dynamic and open economies.[1] They have evolved as proving grounds for accountable, market-oriented alternatives in policies and institutional practice.

Yet such zones of innovation to date have fallen short in a key respect—they have done little to bring hope to billions caught in failing states or to deliver a systemic alternative to the sense of

1 Keller Easterling, *Zone: The Spatial Softwares of Extrastatecraft*, PLACES J. (June 2012), https://placesjournal.org/article/zone-the-spatial-softwares-of-extrastatecraft/ [http://perma.cc/26NT-K8FT].

decline that pervades many national and multilateral institutions. A growing need exists for entrepreneurial areas of policy reform and technological innovation to link up and lay the groundwork to bring transparent rule of law and new kinds of economic opportunity within reach of all on the planet.

To explore how this scenario can practically unfold, it is useful to go back eight centuries to the early days of the Hanseatic League, a self-organizing network of free zones and free cities that endured for centuries and enabled much of Northern Europe to flourish. An updated version of the Hanseatic League open to participants across the globe can advance systemic changes in governance at all levels. In coming years, it could prepare tools for self-governance in voluntary communities and lay groundwork for new transcultural, immigration-friendly World Cities to cope with rising flows of migrants and refugees. And as entrepreneurs bring breakthrough technologies to market, a New Hanseatic League could offer a transnational framework for creating startup societies on the oceans and in space.

I. THE HANSEATIC LEAGUE

A. Origins and Growth of the Hanseatic League

Threats abounded in the Baltic and the North Sea during the twelfth century. Merchants attempting to travel on sea or land regularly came under threat from robbers, pirates, feudal lords, and tribal monarchs. Local rulers across Northern Europe often were bent on confiscating goods or exacting tributes. Merchants who tried to travel alone were fair game.[2]

In response, they began to organize convoys or troops—"Hanse" in Middle Low German—on trade routes across the region.[3] As losses to robbers and pirates fell, merchants grew more prosperous. Negotiated agreements with local rulers also conferred a measure of security for storage and movements of goods. One local lord in Northern Germany, Henry the Lion, exempted the merchants in Lübeck—a recently-established town with excellent access to the Baltic—from paying taxes throughout

---

2 I have relied on several works on the formation of the Hanseatic League for the background of this Part. *See generally* J.D. COLVIN, THE GERMANS IN ENGLAND: 1066-1598 (1971); PHILIPPE DOLLINGER, THE GERMAN HANSA (1970); GEOFFREY PARKER, SOVEREIGN CITY (2004); T.H. LLOYD, ENGLAND AND THE GERMAN HANSE (1991); and HELEN ZIMMERN, THE HANSA TOWNS (2016).

3 "Hansa" is the modern German term.

his realm.[4] Another boost came in 1181, when the Holy Roman Emperor, Barbarossa, designated the new town as a free and Imperial City.[5] This interim legal standing was reaffirmed by Emperor Frederick II in 1226, giving Lübeck an enduring shield to ward off the attentions of revenue-seeking nobles, and to effectively become a self-governing community.[6] Merchants of Lübeck used the municipality's status as a free city to negotiate trade agreements with the autonomous counterpart cities of Hamburg and Bremen, whose policies were also largely shaped by merchant guilds.[7] Their agreements to remove barriers to trade and to standardize weights and measures, including precious metal content in coinage, gave a boost to profits and helped spread Hanseatic trade across the Baltic and beyond.

In the largely Slavic-populated regions to the East, merchants from Hanseatic cities established new trade centers open to all guild members in good standing from their respective communities. These commercial outposts were often set up in the wake of conquests by Teutonic Knights determined to extend Christianity at swords' point. Yet for the larger areas surrounding the Baltic, as well as for those with ports on the North Sea, Hanseatic merchants spread a network of low-tax or tax-free trade zones through negotiated agreements with local authorities, rather than through military means. The appeal of trade relationships, and the negotiating skills and gifts of Hanseatic merchants, convinced many local rulers to designate areas for Hanseatic guild members to do business without imposing onerous taxes or arbitrary regulations. From the thirteenth to fifteenth centuries, the network of Hanseatic trade outposts grew to as many as 170 communities, ranging from Novgorod in Russia, to London in England, and Bruges in Belgium.

These zones enabled Hanseatic merchants to readily import grains, wax, fish, metal ores, and other raw materials from areas around the Baltic, and exchange them for textiles, apparel, and manufactured items produced in the Western European cities affiliated with the League.[8] Their success in long distance trade prompted new communities to join. It also inspired youths to enter into years of challenging apprenticeships to absorb Hanseatic skills and culture and earn their way into full-fledged membership

---

4 *See* ZIMMERN, *supra* note 2, at 318–19.

5 *See id.* at 73.

6 *See id.* at 73–74.

7 *See id.* at 182.

8 THE HANSE IN MEDIEVAL AND EARLY MODERN EUROPE 6 (Justyna Wubs-Mrozewicz & Stuart Jenks eds., 2013).

in the guilds of their respective cities. Once accepted, they were free to independently do business with other members and become co-owners of cargos and vessels.

Town-based merchant guilds were at the center of Hanseatic economic and social activity. Historian Justyna Wubs-Mrozewicz has summarized them as "non-hierarchical, bottom-up organizations of traders . . . [where] membership was voluntary, based on equality among all members and sealed by an oath."[9] The basic rule for guild members was to "help each other in plight."[10] Members strove to stay in good standing with their peers by exchanging useful information, keeping promises and fostering relationships based on honest trade, and using informal systems to resolve internal tensions and conflicts.

Hanseatic scholar Margrit Schulte Beerbühl has described the Hanseatic League as a:

> [L]ate-medieval network of economically largely independent long-distance trade merchants which was based on trust, reputation and reciprocal relations. The informal cooperation among its members kept transactional, informational and organizational costs low, allowing the Hanse merchants to make good profits from the long-distance trade between the Baltic and the North Seas.[11]

Another German economic historian, Alexander Fink, has argued that the Hanse, overall, can be understood as a confluence of functionally overlapping and competing jurisdictions, whose fluidity enabled members to interact and adapt to circumstances faster than hierarchical political structures.[12]

Legal advances contributed to the growth of Hanseatic commerce. The town of Lübeck, whose governing council remained dominated by merchants, set new standards for procedural laws regarding trade, contracts, and dispute resolution. "Lübeck Law" grew to be widely admired and was adopted in whole or in part by other Hanseatic communities.[13] Over time, merchant customs as practiced in Lübeck and other Hanseatic cities came to be codified as elements within the branch of private international law known

---

9 *Id.* at 8.

10 *Id.* at 9.

11 Margrit Schulte Beerbühl, *Networks of the Hanseatic League*, EUROPEAN HIST. ONLINE (Jan. 13, 2012), http://www.ieg-ego.eu/schultebeerbuehlm-2011-en [http://perma.cc/6UFH-AF66].

12 *See generally* Alexander Fink, *The Hanseatic League and the Concept of Functional Overlapping Competing Jurisdictions*, 65 KYKLOS 194 (2012).

13 *See* ZIMMERN, *supra* note 2, at 151.

as *Lex Mercatoria*, or merchant law.[14] The impartiality of Lübeck's arbitration services also contributed to the city's enduring place as the de facto leader of the Hanseatic League.

To expand their markets, the Hanseatic League cities honed diplomatic skills over four centuries. Their tactics included making gifts and strategically timed loans to rulers in return for tax-free trading privileges.[15] Loans from Hanseatic merchants were vital to the success of various English monarchs. In 1317, King Edward II reaffirmed that Hanseatic merchants would be free of taxes, trade regulations, and travel restrictions applied to other foreign traders.[16] As historian T.H. Lloyd noted, "[n]ot only did Edward II confirm the grants of his predecessors and his own award of immunity from arrest but, for the first time, he conceded that neither he nor his heirs would place new impositions on the Hanse without its consent."[17] (English merchants, by contrast, had to pay certain taxes from which their Hanseatic competitors were exempt.) Trade monopolies negotiated by the League with many rulers in Scandinavia went even further by securing agreements that denied or severely limited their competitors' access to key markets. In Norway, Sweden, and other areas, local rulers acceded to the League's demand to ban or restrict other foreign merchants from doing business in highly profitable commodities.[18]

Boycotts were the League's means of choice for punishing countries and cities that moved to break agreements with Hanseatic merchants. When negotiated trade concessions came under threat or merchant cargos were confiscated without cause, the League called meetings of member cities to vote on imposing trade sanctions upon the offenders.[19] Throughout much of the League's history, such measures proved highly effective in reaffirming the trade privileges and securing restitution for damages.

Participation in boycotts was voluntary on the part of Hanseatic communities. No political authority existed in the League to force member cities to abide by the majority decision.

---

14 Klaus Peter Berger, *The Lex Mercatoria and the TransLex-Principles*, TRANS-LEX, https://www.trans-lex.org/the-lex-mercatoria-and-the-translex-principles_ID8 [http://perma.cc/QC2T-V767].

15 *See* T.H. LLOYD, ENGLAND AND THE GERMAN HANSE, 1157–1611: A STUDY OF THEIR TRADE AND COMMERCIAL DIPLOMACY 319 (1991).

16 *Id.* at 27–28.

17 *Id.* at 27.

18 *See id.* at 54.

19 *See id.* at 40.

However, the majority could and often did punish communities that took action contrary to the League's decisions, through expulsion (or "unhansing").[20] In this case, merchants of the ostracized community lost access to the favorable commercial agreements and trade outposts negotiated by the League, to the benefit of the League's protective services, and to any right to do business with Hanseatic merchants in good standing. In cases where individual members of Hanseatic guilds abrogated an agreement, hearings would be held by guild appointed arbitrators, or by local courts in the Hanseatic cities. Any members who were found in breach of the local guild's code were expelled from the guild—and similarly unhansed across the League.[21]

These measures were sustained despite the exceptionally ambiguous legal and political character of the Hanseatic League. England's King Edward IV, under pressure from English merchants who chafed at the concessions given by his predecessors to the Hanseatic traders, imprisoned Hanseatic merchants and expropriated their goods in retaliation for the League's suspected collusion with Danish privateers to stop English attempts to trade in the Baltic.[22] As summarized by Professor Rainer Postel of Bundeswehr University, King Edward IV justified his action on the ground that the League was "a society, cooperative or corporation, originating from a joint agreement and alliance of several towns and villages, being able to form contracts and being liable as joint debtors for the offences of single members."[23] Lübeck sharply disagreed. In Postel's account, Lübeck maintained that the Hansa was neither a society nor a corporation on the grounds that it:

> [O]wned no joint property, no joint till, no executive officials of their own; it was a tight alliance of many towns and communities to pursue their respective own trading interests securely and profitably. The Hansa was not ruled by merchants, every town having its own ruler. It also had no seal of its own, as sealing was done by the respective issuing town. The Hansa had no common council, but discussions were held by representatives of each town. There even was no obligation to take part in the Hansa meetings and there were no means of coercion to carry through their decisions. So, according to the Lübeck syndic [advocate], the Hansa could not be defined by Roman law and was not liable as a

---

20 ZIMMERN, *supra* note 2, at 29.

21 *See id.* at 206.

22 *See* Rainer Postel, Professor, Bundeswehr Universität, Address at Central Connecticut State University: The Hanseatic League and its Decline (Nov. 20, 1996).

23 *Id.*

> body. This was in fact correct and deliberately ambiguous; the Hansa was frequently urged to give a self-definition as well as the exact number of its members and deliberately left all this unclear.[24]

When Edward IV refused to free the Hanseatic merchants he had imprisoned and declined to restore their property, the League launched a boycott and assembled a powerful naval force in the Anglo-Hanseatic War.[25] The war ended in 1474 with a decisive victory by the League, which had crippled English commercial shipping. The Treaty of Utrecht confirmed restoration of the London Steelyard as a tax-free base for Hanseatic merchant guilds and brought about a virtual halt to English trade in the Baltic region.[26]

B. Reasons for the League's Demise

Although the Hanseatic League had done much to create policies for its member merchants to prosper, challenges worsened as the sixteenth and seventeenth centuries unfolded. Some of these were self-inflicted. Agreements among members of Hanseatic guilds—originally focused on setting standards for weights and measures, on the precious metal content of coinage, and on the quality of traded goods—mutated into complex requirements to restrict entry into the guilds, to fix prices, and limit supply of monopolized goods to drive up prices.[27] While such moves benefited incumbent merchants in the short term, they also discouraged, over time, the entry of new members into Hanseatic merchant guilds.

A larger reason for the erosion of the League was a rising resentment of one-sided tax and trade concessions. Hanseatic guilds were unwilling to open their membership to foreign merchants, or to allow open trade by foreign merchants with the League's member cities.[28] With the exception of Dinant, a small town with strong economic ties to Cologne, the League excluded all non-German speaking guilds from joining. Hanseatic insistence on exclusionary entry policies blocked merchants of non-German origins from access to a network of highly profitable tax-free trade concessions. The discrimination was also often backed by municipal ordinances in towns where Hanseatic merchants

---

24 *Id.*

25 *See* M.M. POSTAN, MEDIEVAL TRADE AND FINANCE 101 (1978).

26 *See id.*

27 *See* Erik Lindberg, *Club Goods and Inefficient Institutions: Why Danzig and Lübeck Failed in the Early Modern Period*, 62 ECON. HIST. REV. 604, 612–13 (2009).

28 *See id.*

dominated town councils.[29] As economic historian Erik Lindberg has written of two leading Hanseatic communities (Lübeck and Danzig):

> The infamous 'guest-rights' legislation in the Hansa towns prohibited trade between non-Hanseatic merchants in the Hansa towns. Restrictions on the periods when foreigners were allowed to stay in the towns represented another cornerstone in the prohibitive legislation that characterized Hansa mercantile practices . . . . The long-term results for the two cities under scrutiny were stagnation and an increasingly marginal position in the European urban network.[30]

Foreign rivals in response stepped up their forays into the North Sea and the Baltic. Merchants from Holland and England, who long had been shut out of trading opportunities with cities in the Hanseatic trade network, grew especially bold as the Treaty of Utrecht fell into disregard. They did so by forging commercial links to communities that had left the League or were tenuously associated with it, by encouraging privateering and piracy against Hanseatic ships, and by deepening relationships with increasingly powerful monarchs across the region who had grown weary of Hanseatic trade monopolies.[31]

Holland dealt a further blow to the privileges of Hanseatic merchants. Instead of negotiating trade agreements that favored one foreign partner over another, Dutch cities began to experiment with introducing more open systems. Rulers of these cities, as described by Cambridge historian Sheilagh Ogilvie, discovered that wealth grew far faster by establishing generally welcoming environments for businesses, rather than setting rules that favored particular blocs of foreign merchants.[32] The rising Dutch cities of Amsterdam and Antwerp, in particular, became known for their embrace of open trade and immigration policies, as well as religious pluralism.[33] Their openness to free trade drew an influx of entrepreneurial talent, investors, and traders that eclipsed those of the leading Hanseatic cities, including Lübeck, Hamburg, and Bremen.[34]

---

29 *See id.* at 626.

30 *Id.*

31 OSCAR GELDERBLOM, CITIES OF COMMERCE: THE INSTITUTIONAL FOUNDATIONS OF INTERNATIONAL TRADE IN THE LOW COUNTRIES, 1250–1650, at 179 (2013); *see also generally* A COMPANION TO THE HANSEATIC LEAGUE (Donald J. Harreld ed., 2015).

32 *See* SHEILAGH OGILVIE, INSTITUTIONS AND EUROPEAN TRADE: MERCHANT GUILDS 1000–1800, at 32, 211 (2011).

33 *See id.* at 211, 399.

34 *See id.* at 183, 211, 399.

As Dutch cities were confirming the value of open trade policies, English rulers again moved to overturn long-standing agreements that privileged merchants of the Hanseatic League. Queen Elizabeth of England, in 1598, ended all Hanseatic trade preferences and closed the Steelyard in London, where German merchants had owned and operated a tax-free zone for centuries.[35] Although the Steelyard site was returned several years later to Hanseatic guilds, merchants operating there henceforth no longer enjoyed special freedoms from taxation.[36] A further setback followed a few decades later with the signing of the Treaty of Westphalia in 1648.[37] The Treaty brought to an end the religious wars that had consumed much of Europe, affirmed the boundaries of newly powerful nation states, and enshrined their respective rights to control communities and economic activity within their borders.

The commercial ascendency of free and highly autonomous Hanseatic cities was coming to a close. By the mid 1600s, only a small number of Hanseatic cities actively identified as members of the League. They held their last general meeting in 1687. Over the course of the following centuries, although they continued to identify as Hanseatic cities, the League's flagship communities of Lübeck, Bremen, and Hamburg were politically absorbed as states of Bismarck's Germany.[38]

Europe's newly sovereign nation states, meanwhile, were growing eager for overseas territorial and commercial gains. Merchant guilds of England—beginning with the Merchants Adventurers, which had originally been formed to counter Hanseatic League successes, and its successors, including the East India Company—established foreign trade outposts and consolidated colonies overseas.[39] Applying the free trade concepts advanced by Adam Smith, British trading companies and colonial administrators planted seeds in the 1800s for prosperous new freeports and tax-free trade zones in Singapore, Hong Kong, and Aden in the Middle East. These, like the Dutch open cities before them, became flourishing havens for commerce.

---

35 ZIMMERN, *supra* note 2, at 350–51.
36 *Id.* at 353.
37 *Id.* at 364.
38 *See id.* at 375.
39 *Id.* at 30.

II. THE RESURGENCE OF CITY STATES AND STARTUP COMMUNITIES

Let us return to the present. Once-confident nation states are ailing. In many cases their bureaucracies have grown increasingly detached from their people even as programmatic aims and budgets have expanded. Corruption and brazen favor-giving have intensified distrust of politicians, national governments, and state-funded international organizations. Torrential innovation is leaving slow-moving organizations far behind in realizing potentials of new technologies. Overseas, exhausting assertions of force and aid by superpowers have failed to establish durable regimes in areas with failed and failing states. As people around the world gain wider access to information, they have been reaching their own conclusions regarding the efficacy of global, national, and local institutions.

Against this backdrop, cities are re-emerging as drivers of opportunities and hope. The late Benjamin Barber, author of *If Mayors Ruled the World*, has noted: "More than 50 % [sic] of the world's population lives in cities. Cities produce more than 80 % [sic] of GDP. It is therefore inconceivable that national and international bodies discuss and decide on policy actions without cities and their mayors present at the table."[40]

Parag Khanna, a senior research fellow at the National University of Singapore, has gone farther. In *Connectography*, Khanna writes:

> In a world that increasingly appears ungovernable, cities—not states—are the islands of governance on which the future world order will be built. Cities are humanity's real building blocks because of their economic size, population density, political dominance, and innovative edge. They are real "facts on the ground," almost immeasurably more meaningful to most people in the world than often invisible national borders. In this century, it will be the city—not the state—that becomes the nexus of economic and political power.[41]

Bruce Katz of the Brookings Institution concurs:

> We're entering a period where cities have new kinds of power. They have enormous chances to leverage their economic and financial advantages to augment their position and effect change . . . . Cities are not subordinate to nation-states, they are powerful networks of

---

40 *Mission Statement: Global Parliament of Mayors*, GLOBAL PARLIAMENT OF MAYORS (2017), https://globalparliamentofmayors.org/mission-statement/ [http://perma.cc/67ME-CP22].

41 Parag Khanna, *When cities rule the world*, MCKINSEY & CO. (Feb. 2011), https://www.mckinsey.com/global-themes/urbanization/when-cities-rule-the-world [http://perma.cc/X9C5-2HUD].

> institutions and actors that co-produce the economy. Power in the 21st [sic] century belongs to the problem-solvers. National governments debate and mostly dither. Cities act, cities do.[42]

Katz concludes that "[p]ower increasingly comes from the cities up, not handed down from the nation-state."[43]

A. SEZs and Autonomous Cities

As today's nation states falter, autonomous city states and SEZs are moving to the forefront as proving grounds for policy innovation and institutional reform. As noted by Yale professor Keller Easterling, areas offering highly liberalized environments have soared in number in the postwar era from 600 in 1976 by the count of Walter Diamond,[44] to at least 3500.[45] Today, zones that offer concentrated relief from tax, regulatory, and trade barriers account for tens of millions of jobs and the majority of the export earnings in a number of developing countries. In spatial configuration, zones range from footprints as small as several floors of a single office building, to campus-style industrial and office parks of hundreds of acres, and up to free economic zones with cities or "regiopolis" areas that span from hundreds to thousands of square kilometers.

The dynamism of Hong Kong and Singapore, which occupy over 1100 square kilometers and 718 square kilometers respectively,[46] has inspired developers to zones of extrastatecraft in many settings. By establishing what are widely deemed to be among the world's most transparent and free market economies, Asia's most prominent freeports have moved from low-wage manufacturing to become among the most advanced, diversified, and prosperous cities in the world.[47] While their annual per capita income levels in 1965 were less than $700 in terms of today's dollars, they now stand at more than $56,000 in Singapore and

---

42 Jamie Bartlett, *Return of the city-state*, AEON (Sept. 5, 2017), https://aeon.co/essays/the-end-of-a-world-of-nation-states-may-be-upon-us [http://perma.cc/7WSZ-EPWJ] (quoting Bruce Katz, Centennial Scholar at the Brookings Institution).

43 *Id.*

44 WALTER DIAMOND, TAX-FREE TRADE ZONES OF THE WORLD (Matthew Bender ed., 1976).

45 Easterling, *supra* note 1.

46 *See The World Factbook: Hong Kong*, CIA, https://www.cia.gov/library/publications/the-world-factbook/geos/hk.html (last updated Mar. 5, 2018); *see also The World Factbook: Singapore*, CIA, https://www.cia.gov/library/publications/the-world-factbook/geos/sn.html (last updated Feb. 22, 2018).

47 Chuang Peck Ming, *Singapore Ranks 2nd in Ease of Doing Business*, BUS. TIMES (Oct. 27, 2016, 5:50 AM), http://www.businesstimes.com.sg/government-economy/singapore-ranks-2nd-in-ease-of-doing-business [http://perma.cc/7268-YUZ6].

over $40,000 in Hong Kong.[48] Both freeports have substantially overtaken per capita incomes of their former colonial ruler, the United Kingdom.[49]

Singapore's economic success also has opened the door for it to embark on overseas joint ventures in free economic zone development. In the 1990s, Singapore prime minister Lee Kuan Yew announced a vision of creating up to a dozen "little Singapores" around the world, through real estate partnerships, to replicate the Singapore model.[50] Its subsequent joint ventures in China have included the development of a sixty-eight square kilometer Singapore-Suzhou Industrial Park and a similar joint venture for Guangzhou Knowledge City.[51] Singaporean private investors are also funding the development of a Health City in Gaobeidian, China, at a location which has just been designated as a SEZ.[52] Designation of Health City as a SEZ tripled property values overnight in the adjacent residential areas.[53] Singapore also has reached agreement with Jamaica to establish its first SEZ venture in the Caribbean.[54]

Hong Kong has had an even greater impact in spreading SEZs. Its economic progress in postwar decades stood in stark contrast to that of Mao's China. In the late 1970s, Deng Xioping, Mao's successor, moved to replicate Hong Kong's success by instituting business friendly reforms (including a business tax

---

48 Gary Cheung, *Frenemy Cities,* S. CHINA MORNING POST, http://www.scmp.com/news/hong-kong/economy/article/1847695/hong-kong-and-singapores-transformations-story-both-rivalry [http://perma.cc/7KK4-5N3T] (last updated July 6, 2017, 11:13 PM).

49 Singapore's and Hong Kong's lead over Britain holds both by measures of nominal GDP per capita and by measures of purchasing power parity adjusted GDP per capita. *Projected GDP Ranking (2016-2020)*, STATISTICS TIMES (Dec. 16, 2016), http://statistics times.com/economy/projected-world-gdp-ranking.php [http://perma.cc/NZ9Q-Z2JV].

50 *See* Mark Frazier, *What's next for the special economic zones*, CAYMAN FIN. REV. (July 12, 2013), http://www.caymanfinancialreview.com/2013/07/12/whats-next-for-the-special-economic-zones/ [http://perma.cc/GKD6-WDT7]; *see also* Narendra Aggarwal, *S'pore-China ties reach new heights*, BUS. TIMES (Nov. 6, 2015, 5:50 AM), http://www.businesstimes.com.sg/hub/business-china-special/spore-china-ties-reach-new-heights [http://perma.cc/VCB4-L3L8].

51 *See id.*

52 P.C. Lee, *JV Partners Say China's Latest SEZ Likely to Have 'Positive Impact' on Gaobeidian Project*, EDGE (Apr. 4, 2017, 6:54 PM), https://www.theedgesingapore.com/article/jv-partners-say-china%E2%80%99s-latest-sez-likely-have-%E2%80%98positive-impact%E2%80%99-gaobeidian-project [http://perma.cc/72XC-8FUX].

53 Goola Warden, *How KSH Hit the Jackpot with China's Newest SEZ*, EDGE (Apr. 13 2017, 11:58 AM), https://www.theedgesingapore.com/article/how-ksh-hit-jackpot-china%E2%80%99s-newest-sez [http://perma.cc/VS3R-H42J].

54 Office of the Prime Minister, *GOJ Partners with Singapore to Develop Special Economic Zone*, JAM. INFO. SERV. (Jan. 26, 2017), http://jis.gov.jm/goj-partners-singapore-develop-special-economic-zone/ [http://perma.cc/RN57-94BK].

rate of fifteen percent, about ten percent lower than that of Hong Kong) in four initial SEZ areas. The first of these was launched in 1979 in an area of 327 square kilometers along the Pearl River near Hong Kong.[55] Shenzhen, originally a fishing village with a population numbering less than 10,000, became the epicenter of a profound success. Today, this SEZ has a population of more than eleven million and has expanded in size to almost 2000 square kilometers.[56] Shenzhen's favorable policy conditions, location, and labor productivity have transformed it into the world's leading location for electronics manufacturing—the "Silicon Valley of hardware."[57] As World Bank Chief Economist Paul Romer has noted, Hong Kong played a pivotal role in inspiring Beijing to designate scores of SEZs, free trade zones, and open cities—and from there to liberalize the Chinese economy as a whole.[58]

Having transformed China's own economy, SEZs also are now a strategic element in China's moves to make infrastructure investments on a global scale. The "Belt and Road Initiative" launched by China's paramount leader Xi Jinping in 2013,[59] including a projected $4 to $8 trillion in loans and direct investment from China, aims to fund construction of a world-class network of road and rail links throughout Asia and into Europe and the Middle East.[60] The plan also calls for a "maritime Silk Road" connecting with ports in Oceana, Africa and beyond.

As many as 100 new Chinese-backed SEZs are expected to stimulate commerce along these new corridors. In recent years, China has become a major investment partner in two Vietnamese SEZs, and a Chinese-funded SEZ employing 16,000 employees is also operating in Cambodia, on a trajectory to grow to 100,000

---

55 Ann Fenwick, *Evaluating China's Special Economic Zones*, 2 INT'L TAX & BUS. L. 376, 376 (1984).

56 *See* Ben Bland, *Shenzhen, China, a Silicon Valley of Hardware*, FIN. TIMES (May 6, 2016), https://www.ft.com/content/2c38ccb8-0ad8-11e6-b0f1-61f222853ff3.

57 *Comparative study on Special Economic Zones in Africa and China* 49 (United Nations Development Programme, Working Paper No. 06.2015, 2015), https://issuu.com/undp-china/docs/undp-ch-comparative_study_on_sezs_i [http://perma.cc/5U47-644S]; *see also* Bland, *supra* note 56.

58 Paul Romer, Chief Economist and Senior Vice President of the World Bank, TEDGlobal Talk: Why the World Needs Charter Cities (July 2009).

59 Jason Lee, *Belt and Road promotes growth of Cambodia's special economic zone*, BELT & ROAD PORTAL (Apr. 28, 2017), https://eng.yidaiyilu.gov.cn/qwyw/rdxw/12004.htm [http://perma.cc/9R7K-L4GX].

60 David Ho, *Cost of funding 'Belt and Road Initiative' is daunting task*, S. CHINA MORNING POST (Sept. 27, 2017, 4:45 PM), http://www.scmp.com/special-reports/business/topics/special-report-belt-and-road/article/2112978/cost-funding-belt-and [http://perma.cc/WA4L-LHE4].

employees.[61] China is now negotiating to partner in similar SEZ projects to be launched in Myanmar[62] and Bangladesh, with the latter venture linked to construction of a $700 million tunnel.[63] In Pakistan alone, China is planning partnerships to establish up to forty-six new SEZs.[64] A China-backed $10 billion SEZ project oriented towards transshipment has been launched in Oman in the Middle East.[65] In Africa, Djibouti has opted to ally with China for development of ports and free zones.[66] China also has entered into SEZ development projects in six other African countries, most notably in Nigeria, Zambia, and Ethiopia [67]

Private sector Chinese land developers have also been seeking out opportunities in overseas SEZs. At the doorstep of Singapore, Malaysia's Iskandar SEZ hosts a new private community called Forest City.[68] China-based Country Garden Holdings has reached into an agreement with influential Malaysian counterparts to develop a $100 billion startup community on four reclaimed islands totaling over thirteen square kilometers in Malaysia's Johor State.[69] To date, about 16,000 properties have been sold, primarily to Chinese citizens seeking to purchase overseas condominiums, single family homes in covenant-backed homeowners associations, and/or freehold land.[70] The ultimate aim is a private community

---

61 Lee, *supra* note 59.

62 *CITIC-led consortium wins bid for implementing SEZ in Myanmar*, CHINA DAILY (Dec. 31, 2015, 10:39 AM), http://www.chinadaily.com.cn/business/2015-12/31/content_22882073.htm [http://perma.cc/GG7W-JYX3].

63 Humayan Kabir, *Special Economic Zone (SEZ) for Chinese industries*, BUS. INTELLIGENCE BANGL., http://bibd.info/special-economic-zone-sez-for-chinese-industries/ [http://perma.cc/2ARY-ATWS].

64 Fawad Maqsood, *Government planning to establish 46 SEZs along CPEC route*, BUS. RECORDER (July 18, 2017), http://www.brecorder.com/2017/07/18/359937/govt-planning-to-establish-46-sezs-along-cpec-route/.

65 Wade Shepard, *Why China Is Building A New City Out In the Desert of Oman*, FORBES (Sept. 8, 2017, 6:35 PM), https://www.forbes.com/sites/wadeshepard/2017/09/08/why-china-is-building-a-new-city-out-in-the-desert-of-oman/#2d848bd26b2f.

66 Bashir Goth, *Africa's Singapore is Slowly Taking Shape*, GULF NEWS (July 22, 2017, 5:00 PM), http://gulfnews.com/opinion/thinkers/africa-s-singapore-is-slowly-taking-shape- 1.2062649 [http://perma.cc/4QRT-P8GA].

67 *Comparative study on Special Economic Zones in Africa and China*, *supra* note 57.

68 *See* Leanna Garfield, *Drone footage reveals what Malaysia's new $100 billion 'dream paradise' city looks like*, BUS. INSIDER (May 10, 2017, 10:50 AM), http://www.businessinsider.com/forest-city-malaysia-chinese-ghost-city-2017-5 [http://perma.cc/Q27V-4ULJ].

69 Sarah Moser, *Forest city, Malaysia, and Chinese expansionism*, URB. GEOGRAPHY 1, 3 (2017).

70 Aradhana Aravindan, *China Curbs Challenge $100 billion Forest City's Malaysia Home Sales*, REUTERS (Aug. 4, 2017, 1:08 AM), https://www.reuters.com/article/uk-forest-city-strategy/china-curbs-challenge-100-billion-forest-citys-malaysia-home-sales-idUKKBN1AK0QP [http://perma.cc/M6XS-D8MJ].

with 700,000 residents and tourists.[71] Although recently-imposed Chinese foreign exchange restrictions have dampened purchases by their citizens of overseas real estate, Country Garden has responded by broadening its marketing effort to attract investors and homebuyers from around the world.

In the Middle East, Dubai has had an impact upon neighboring countries comparable to that of Hong Kong and Singapore. Given its relative lack of oil reserves, Dubai began during the 1980s to shift to a focus on SEZs, beginning with Jebel Ali Free Zone in 1985.[72] It since has designated two dozen specialized free zones that cater to a spectrum of industries.[73] Today, Dubai and other areas in the United Arab Emirates rank as the freest business environments in the region.[74] In addition to offering tax-free zones, Dubai levies no personal income taxes, and has instituted one of the world's most liberal visa policies for visitors, investors, and employer-sponsored workers.[75] Dubai also has established an "[a]lternative [j]udiciary" that enables financial services companies to operate under a parallel court system based on Common Law precedents of Great Britain, and is overseen by retired British judges.[76]

The city state's rapid rise to become one of the world's top tourism, logistics, and financial service centers has prompted neighboring countries to establish competing free economic zones, including Abu Dhabi, Sharjah, Qatar, and Ajman.[77] In the fall of 2017, Saudi Arabia's Crown Prince Mohammed Bin Salman committed the Kingdom to move to the front rank in SEZs, surpassing Dubai in many key respects.[78] He announced NEOM,

---

71 Pooja Thakur Mahrotri & En Han Choong, *$100 Billion Chinese-Made City Near Singapore 'Scares the Hell Out of Everybody,'* BLOOMBERG NEWS (Nov. 21, 2016, 1:00 PM), https://www.bloomberg.com/news/features/2016-11-21/-100-billion-chinese-made-city-near-singapore-scares-the-hell-out-of-everybody [http://perma.cc/5J2S-US4R].

72 PKF ACCOUNTANTS & BUSINESS ADVISERS, FREE ZONES IN THE UNITED ARAB EMIRATE 2 (2015), http://pkfuae.com/pdf/FreeZones_in_UAE_2015.pdf [http://perma.cc/Y6RU-J9RT].

73 *Id.*

74 *See* Babu Das Augustine, *UAE leads Arab Region in World Bank's Ease of Doing Business Ranking*, GULF NEWS BANKING (Oct. 31, 2017, 19:17 PM), http://gulfnews.com/business/sectors/banking/uae-leads-arab-region-in-world-bank-s-ease-of-doing-business-ranking-1.2116541 [http://perma.cc/NP2R-ZA4E].

75 PKF ACCOUNTANTS & BUSINESS ADVISERS, *supra* note 72, at 20, 87, 91.

76 Joe Worthington, *Dubai's Alternative Judiciary*, CARNEGIE MIDDLE EAST CTR. (May 24, 2017), http://carnegie-mec.org/sada/70087 [http://perma.cc/F3WJ-BYWL].

77 *See Free Zones and Economic Zones*, FUSION MIDDLE EAST (July 30, 2017), https://www.fusion-me.com/free-zones-economic-zones/ [http://perma.cc/T5H2-PYTC].

78 *See* Alaa Shahine et al., *Saudi Arabia Just Announced Plan to Build a Mega City That Will Cost $500 Billion*, BLOOMBERG (Oct. 24, 2017, 2:35 AM), https://www.bloomberg.com/news/articles/2017-10-24/saudi-arabia-to-build-new-mega-city-on-country-s-north-coast.

a $500 billion private SEZ to be located on a site of almost 26,000 square kilometers along the border with Jordan and Egypt.[79] The new zone aims to be the most advanced location in the world for automated manufacturing and alternative energy production. It will have its own economic laws, designed with private sector inputs, with the aim of becoming the world's most competitive venue for next generation manufacturing.

Dubai's breakaway economic success also has sparked invitations by African countries to extend its model for SEZ development. Dubai Ports World, over the past decade, has entered into agreements to upgrade transportation systems and assist in free zone development in Senegal, Egypt, Rwanda, Djibouti, and Mozambique.[80] The most recent project, launched in November of 2017 with Somaliland, gives Dubai a thirty-year concession to fund, develop, and operate a twelve square kilometer free zone at the Port of Berbera.[81]

Across Latin America and the Caribbean Basin, similar trends are at work. The Colón Free Tree Zone opened in 1948 with a tax and customs duty-free status. It since has grown to become a major warehousing and transshipment hub with annual imports and exports exceeding $6.5 billion.[82] In 1969, Gulf + Western Corporation launched the Dominican Republic's first SEZ, using its (then-blocked) local currency holdings to fund site acquisition and development of an industrial park at La Romana, which grew rapidly to employ 15,000 workers.[83] The success of La Romana Free Zone set off a wave of entrepreneurially developed free zones throughout the country.[84] Today, the Dominican Republic is home to more than forty-seven privately developed and thirteen government owned industrial free zones specializing in apparel assembly, light manufacturing, and information services,

---

79 *Id.*

80 *See* ASC Staff, *DP World Sharpens Focus on African Expansion*, ARABIAN SUPPLY CHAIN (Oct. 2, 2017, 10:21 AM), https://www.logisticsmiddleeast.com/article-13544-dp-world-sharpens-focus-on-african-expansion [http://perma.cc/LTA9-4HWP].

81 Sarah Townsend, *DP World Says to Build Economic Free Zone in Somaliland*, NATIONAL (Nov. 6, 2017, 6:57 PM), https://www.thenational.ae/business/dp-world-says-to-build- economic-free-zone-in-somaliland-1.673522 [http://perma.cc/962A-PN5B].

82 *See Colon Free Zone*, GA. TECH PANAMA LOGISTICS INNOVATION & RES. CTR., http://logistics.gatech.pa/en/assets/special-economic-zones/colon-free-zone/statistics [http://perma.cc/DUW9-6RN6].

83 WORLD BANK, SPECIAL ECONOMIC ZONES: PROGRESS, EMERGING CHALLENGES, AND FUTURE DIRECTIONS 162 (Thomas Farole & Gokhan Akinci eds., 2011).

84 *Id.*

employing 140,000 workers and contributing more than $5.5 billion annually in export earnings.[85]

Inspired by Panamanian and Dominican free zone successes, developers across Latin America have established 400 SEZs in twenty countries, generating 1.7 million jobs according to a 2016 survey by the Asociación de Zonas Francas de las Américas ("AZFA").[86] Among Latin American SEZs, Zonamerica in Uruguay has won special recognition from AFZA for its achievements, which include de-monopolization of telecommunications, electricity, and other utilities in favor of free market alternatives.[87] Zonamerica has been invited by countries in Central America and North Africa to extend its model, and has recently invested in a SEZ in Colombia as well as established an operating foothold in China.[88]

North America-based developers have moved in to reap land value gains made possible in zones of extrastatecraft. Given that US foreign-trade zones and enterprise zones offer pallid customs duty and tax relief, relative to the levels found in overseas SEZs, the focus of the largest American SEZ developers has been on opportunities offshore.

Wallace Groves, a Florida-based developer, was the first to capitalize on the market. He negotiated in 1955 the Hawksbill Creek Agreement to privately develop approximately 500 square kilometers of marshy land in Grand Bahamas as a tax-free SEZ called Freeport.[89] In addition to privately funding and maintaining streets, building a water system, and constructing a container port and an international airport, Grand Bahamas Port Authority has facilitated formation of homeowners associations and condominium associations to self-provide a range of amenities. Foreigners were given rights to purchase and live in homes. Today, 26,000

---

85 JOSE DANIEL REYES, ET AL., SPECIAL ECONOMIC ZONES IN THE DOMINICAN REPUBLIC: POLICY CONSIDERATIONS FOR A MORE COMPETITIVE AND INCLUSIVE SECTOR 8–9, 12 (2017).

86 *Start*, ASOCIACIÓN DE ZONAS FRANCAS DE LAS AMÉRICAS (AZFA), http://www.asociacionzonasfrancas.org/es [http://perma.cc/9RBH-XVKG]. For further country statistics, see 3 REVISTA AZFA (Nov. 2017), http://www.asociacionzonasfrancas.org/user/themes/azfa/documents/home/revista/ARTEFINALDIGITAL-Revista-AZFA-03-DISE%C3%91O-(pgs1-34)-FINAL-AjustePagDoble(Dic1).pdf [http://perma.cc/M7EP-P4E6].

87 *See Frequently Asked Questions*, ZONAMERICA, http://web.zonamerica.com/#/faq (last visited Mar. 12, 2018).

88 *See Zonamerica Colombia*, ZONAMERICA, http://web.zonamerica.com/#/zonamerica-colombia [http://perma.cc/RF88-YM4Q]; *Zonamerica China*, ZONAMERICA, http://web.zonamerica.com/#/zonamerica-china [http://perma.cc/N6C8-VQMC].

89 OXFORD BUS. GRP., THE REPORT: THE BAHAMAS 2009, at 77 (2009).

permanent residents live in Freeport,[90] and the SEZ attracts over a million visitors per year.

More recently, Gale International—a New York-based private developer—has become the main driver in an estimated $40 billion Songdo SEZ in South Korea.[91] In 2006, Gale reached agreement to design and build an International Business District on more than 6000 hectares of reclaimed land in the Songdo SEZ. Songdo since has grown to a resident population of 30,000 and hosts a workforce of 33,000.[92] Gale's flagship venture is being planned as a springboard to further global SEZs and startup community ventures. "We want to crack the code of urbanism, then replicate it," says Stanley Gale, CEO of the privately-owned firm.[93] "We want to build at least twenty Songdos ourselves: the G20—Gale 20."[94]

In Europe, the continent that gave birth to the Hanseatic League and founded the freeports of Singapore and Hong Kong, momentum has been shifting as well towards SEZs. Peter Hall—a world-known urban planner and former head of Britain's socialist Fabian Society—proposed in 1977 a "Freeport Solution" inspired by the entrepreneurial energy he found in Asian cities, notably Singapore and Hong Kong.[95] He urged inner cities in the United Kingdom to adopt "an essay in Non-Plan . . . . In other words, we would aim to recreate the Hong Kong of the 1950s and 1960s inside inner Liverpool or inner Glasgow."[96] Hall's recommendations inspired the "enterprise zone" policy reforms central to Margaret Thatcher's urban revitalization initiatives in the 1980s, notably including attraction of more than a billion dollars in private investment to London's previously-dormant Docklands.[97] Over the past twenty years, the European Union ("EU")—once adamantly opposed to geographically targeting tax and regulatory relief—has accepted SEZs as proving grounds for transparency and policy liberalization, most notably in formerly Communist countries

---

90 *Bahamas Population 2018*, WORLD POPULATION REV., http://worldpopulationreview.com/countries/bahamas-population/ (last visited Mar. 27, 2018).

91 *South Korea Conceptualizes the Ultimate Smart City*, NEWCITIES (Dec. 28, 2014), https://newcities.org/cityquest-songdo-south-korea-conceptualized-ultimate-smart-sustainable-city/ [http://perma.cc/3S5Y-85N7].

92 *New Songdo City*, KOHN PEDERSON FOX ASSOCS. PC, https://www.kpf.com/projects/new-songdo-city [http://perma.cc/QXY8-DKMW].

93 *South Korea Conceptualizes the Ultimate Smart City*, *supra* note 91.

94 *Id.*

95 TIMOTHY P. R. WEAVER, BLAZING THE NEOLIBERAL TRAIL: URBAN POLITICAL DEVELOPMENT IN THE UNITED STATES AND THE UNITED KINGDOM 31 (2016).

96 *Id.* at 84.

97 *See id.* at 3, 8–9.

aspiring to EU accession.[98] A leading specialist in refugee and migrant flows, Kilian Kleinschmidt, also recently has drawn global attention for proposing the creation of free economic zones in economically lagging areas of Europe to engage large numbers of currently unemployed and underemployed immigrants from the Middle East and Africa.[99]

Why are zones of extrastatecraft expanding so rapidly in the global economy? Author Nassim Nicholas Taleb has coined the term "antifragile" to describe certain policies and actions that gain strength as surrounding conditions deteriorate.[100] This aptly describes an inherent quality of SEZs. As nation states slide towards dysfunction and corruption, rewards grow from creating trustworthy alternatives—areas whose governance is free of the surrounding woes. Hoover Institution Senior Fellow Alvin Rabushka has observed that the creation of free zones often becomes the only option available for failing, rent-seeking kleptocracies. "The last favor that a government can give—once its political favor-giving has paralyzed an economy—is to exempt areas from its own predations," he has observed.[101] As political intrusions are lifted in designated locations, risk-taking investors and entrepreneurs flow in, and new wealth arises through unimpeded exchange. Land values soar to the degree that high taxes, red tape, and corruption are lifted—in short, land rents rise as political rents fall. As politicians discover they can create

---

98 *See* OECD, TRACKING SPECIAL ECONOMIC ZONES IN THE WESTERN BALKANS: OBJECTIVES, FEATURES AND KEY CHALLENGES 3, 22, 24 (2017), http://www.oecd.org/south-east-europe/SEZ_WB_2017.pdf [http://perma.cc/YW5B-WdE3]. It is worth noting that leading voices in the EU, early in the present, decade endorsed expanding the ability of localities to experiment with policy changes and coordinate directly together across national lines. Viviane Reding, VP of the European Commission, made this case in European Commission Press Release SPEECH/11/539, Opening Trade and Opportunities: From the Hanseatic League to European Contract Law (July 19, 2011). Regional movements for autonomy and movements to break away from the European movement have since revealed levels of grassroots disenchantment with EU's central bureaucracies. In the aftermath of Brexit, some "Remainers" have proposed that the City of London—one of the world's two leading financial hubs—exit from Brexit by separating from the U.K. and rejoining the EU as a newly-sovereign city state.

99 *See* Renny Ramakers, *Immigrants Can Revive Shrinking Cities and Abandoned Areas*, DESIGN+DESIRES (Nov. 30, 2015), http://socialcities.org/blog/immigrants-can-revive-abandoned-and-shrinking-areas/ [http://perma.cc/MD3J-XR7H].

100 *See* NASSIM NICHOLAS TALEB, ANTIFRAGILE: THINGS THAT GAIN FROM DISORDER 3–6 (2012).

101 Interview with Alvin Rabushka, David & Joan Traitel Senior Fellow, Hoover Institution, in Palo Alto, Cal. (Oct. 1976) (discussing free zone-generated funding for the Sabre Foundation Earthport Project).

windfall gains in areas they liberate, Rabushka has noted, "free zones become the way to pork-barrel freedom."[102]

Economist Lotta Moberg has sounded a cautionary note. While zones in cases such as China have triggered wider reforms in their sponsoring countries, in other cases they have remained as firewalled enclaves, enabling predatory systems to keep their grip over much of the economy.[103] But she also points to the rise in populism as a force encouraging the further spread of SEZs.[104] "One feature of populism is nationalism, which leads to protectionism," she has written. "And with increased protectionism, investors tend to demand more exemptions like those offered in SEZs."[105]

Over the past four decades, the extraordinary growth in a number of SEZs has led to a rivalry among countries to stand out in the attractiveness of their policies and institutional environments.

Chinese SEZs, as previously noted, undercut Hong Kong's tax rates at the time of their launch. The duration of tax holidays offered by export processing zones, as another example, ratcheted upwards from five to ten years to longer terms as many countries sought to outdo Taiwan, South Korea, and other early implementers of industrial park-style free zones.[106] Today, a prospering free zone technology park in Uruguay, Zonamerica, offers perpetual freedom from business taxes, customs duties, foreign exchange controls, and commercial governmental monopolies.[107] The competition to create more liberal tax and regulatory environments gives a further reason to anticipate continued growth of free cities and free zones.

As economists at the World Bank and elsewhere have argued, however, tax and regulatory competition aimed at attracting investors by no means assures success.[108] Investors take into account a host of location factors beyond the policy and institutional reforms formally offered by SEZs. Other key location factors include quality and costs of infrastructure and utilities,

---

102 *Id.*

103 *See generally* LOTTA MOBERG, THE POLITICAL ECONOMY OF SPECIAL ECONOMIC ZONES: CONCENTRATING ECONOMIC DEVELOPMENT (2017).

104 *See* Lotta Moberg, *Is It Time That America Adopted Special Economic Zones?*, DAILY CALLER (Mar. 30, 2017, 2:02 PM), http://dailycaller.com/2017/03/30/is-it-time-that-america-adopted-special-economic-zones/ [http://perma.cc/F52C-844T].

105 Lotta Moberg, *Special Economic Zones: Opportunities and Pitfalls*, WILLIAM BLAIR (June 15, 2017), https://blog.williamblairfunds.com/lottamoberg/special-economic-zones-opportunities-and-pitfalls/ [http://perma.cc/NF22-7NFK].

106 *See* ARADHNA AGGARWAL, SPECIAL ECONOMIC ZONES IN SOUTH ASIA 8, 31 (2007).

107 *Frequently Asked Questions*, *supra* note 87.

108 *See, e.g.*, JACQUES MORISSET & NED PIRNIA, HOW TAX POLICY AND INCENTIVES AFFECT FOREIGN DIRECT INVESTMENT 9 (2000); Alex Easson & Eric M. Zolt, *Tax Incentives*, WORLD BANK INSTITUTE 1, 8 (2002).

levels of labor skills and productivity, and the speed, efficiency, and responsiveness of administrative systems. Yet competition among zones is driving improvements in these areas as well. Private SEZ developers increasingly are shifting their focus to deliver unsurpassed solutions in all dimensions that concern investors. They are applying the higher rents accruing from exceptionally liberal business climates to privately fund improvements in essential infrastructure and amenities, skills training, and administrative systems. In consequence, the offerings of entrepreneurially developed zones often far surpass the quality of tax-funded infrastructure and services provided outside of the zones. Given the higher sensitivity of privately-run SEZs to market forces, in comparison with conventional municipalities and government-run zones, the competitive advantage of privately-funded zones of extrastatecraft will likely persist and even rise as exponentially improving technologies advance.

B. The Growth of Private Communities

As much as free zones and free cities today stand out globally as pioneers in tax and regulatory reform, private community associations have become proving grounds for market-based systems of governance. Their contractually-based systems of governance work to minimize "implicit taxes"—by filling the gap between what current political institutions ordinarily deliver, and what market-based governance can provide in higher quality and more efficient infrastructure, services, and amenities.

Private community developers in recent decades have found that buyers in many cases will pay a premium of as much as fifteen percent to reside in areas with contractual systems of self-governance.[109] In consequence, neighborhoods that include deed-based covenants to fund their infrastructure and services have grown spectacularly in numbers. A 1962 study by the Urban Land Institute found only 470 covenant-backed universal membership homeowners' associations ("HOAs") and condominium associations in the United States.[110] Today the number has risen by more than 500-fold. In 2016, the Community Associations Institute—a North America-based nonprofit supporting startup

---

109 URBAN LAND INST., THE HOMES ASSOCIATION HANDBOOK 14–15 (rev. prtgs. 1966, 1970).

110 *See* Maurice C. Read, *Foreword*, *in* URBAN LAND INST., THE HOMES ASSOCIATION HANDBOOK (rev. prtgs. 1966, 1970); URBAN LAND INST., *supra* note 109, at vi.

societies around the world—tallied more than 340,000 such associations in the country,[111] a number over 600 times higher than the ULI's count. More than twenty-six million US households today live in private community associations.[112] Neighborhoods with deed-based associations are normally highly resistant to decay, due to binding commitments on the part of all owners to keep buildings and grounds in good repair. These covenant-backed associations also commit their members to self-assess dues to meet the costs of shared infrastructure and amenities. They therefore overcome "free rider" problems that normally limit the private provision of public goods at local scale. By doing so, they boost property values in areas where municipal governments cannot be relied upon to deliver efficient services at acceptable quality.

Influential examples of private communities with deed-based covenants in the United States include Reston in Virginia (population 58,404),[113] Columbia in Maryland (population 99,615),[114] and the Disney-developed "new urbanism" community of Celebration in Florida (population 7427).[115] As noted by Tom W. Bell, the largest community based on a covenant-based contractual governance model appears to be Highland Ranch in Colorado, a community covering eighty-eight square kilometers with a population of 100,000 residents.[116] The association's annual budget for infrastructure, services, and amenities exceeds $22 million.[117]

---

111 *Community Associations in the United States*, COMMUNITY ASS'NS INST., https://www.caionline.org/AboutCommunityAssociations/Pages/StatisticalInformation.asx [http://perma.cc/M3SR-ZDBT] (last visited Mar. 18, 2018).

112 *Id.*

113 *Quick Facts: Reston CDP, Virginia*, U.S. CENSUS BUREAU, https://www.census.gov/quickfacts/fact/table/restoncdpvirginia/PST045216 [http://perma.cc/RP7G-QQ6Q] (last visited Mar. 18, 2018).

114 *Quick Facts: Columbia CDP, Maryland*, U.S. CENSUS BUREAU, https://www.census.gov/quickfacts/fact/table/columbiacdpmaryland/PST045216 [http://perma.cc/BR8N-MR6R].

115 *Quick Facts: Celebration CDP, Florida*, U.S. CENSUS BUREAU, https://www.census.gov/quickfacts/fact/table/celebrationcdpflorida/PST045216 [http://perma.cc/UCR4-CKDD] (last visited Mar. 18, 2018). See also SPENCER H. MACCALLUM, THE ART OF COMMUNITY (1970), which argues that the most competitive kinds of private communities will be based on a single landlord model, rather than a private association of homeowners. *Id.* at 66. MacCallum points to large resorts as an example of efficiency and sensitivity to individual users. *See id.* at 14. The question remains, however, as to how such a model would scale—there would likely need to be a contract-based federation of such owners to deal with common problems. In this case, it appears to be conceptually identical to the property owners association model, albeit at a higher level.

116 TOM W. BELL, YOUR NEXT GOVERNMENT?: FROM THE NATION STATE TO STATELESS NATIONS 18 (2017).

117 *Id.* For the data cited, see *Facts*, HIGHLANDS RANCH CMTY ASS'N, https://hrcaonline.org/area-resources/highlands-ranch/facts [http://perma.cc/ZE68-J8BS] last visited Mar. 13, 2018).

In recent years, Sandy Springs, Georgia—incorporated as a community with a current population of just over 100,000[118]— has also been noticed as a model of privatization. It has reduced the city management staff to a handful by outsourcing to private providers the responsibility for all city functions with the exception of police and fire/rescue operations. The annual cost savings to taxpayers—relative to comparable municipalities—is estimated at $20 million.[119] Other notable startup communities are being developed by leading technology companies. With an aim to demonstrate efficiencies possible in convivial living environments, Google's Sidewalk Labs has recently committed $50 million to develop a waterfront "digital city" in a rundown area of Toronto.[120] Bill Gates has similarly purchased approximately eighty square kilometers in Arizona to build an innovative "City of Tomorrow" that "embraces cutting-edge technology, designed around high speed networks, data centers, new manufacturing technologies and distribution models, autonomous vehicles and autonomous logistics hubs."[121]

Private communities are spreading as well in regions of developing countries that have been plagued by corruption, crime, and underperforming municipal services. In India, private developers over the past thirty years have turned the once sparsely populated area of Gurgaon into a thriving city of more than half a million.[122] The city features a privately-owned mass transit system along with extensive private security and fire protection services.[123] It now has the third highest per capita income in India,[124] and was recently ranked as the country's best city to work in. Brazilian developer Alphaville Urbanismo has launched private gated communities based on homeowners associations in Sao Paulo, Rio de Janeiro, Curitaba, and close to twenty other cities. The developer also has expanded to Cacais in

---

118 *See The Man Who Outsourced the Government: An Interview with Oliver Porter*, FOUND. ECON. EDUC. (May 28, 2013), https://fee.org/articles/the-man-who-outsourced-the-government/ [http://perma.cc/P3WU-9P8N].

119 *Id.*

120 *See* Jane Wakefield, *'Future City' to be Built in Canada by Alphabet company*, BBC NEWS (Oct. 18, 2017), http://www.bbc.com/news/technology-41665670 [http://perma.cc/K2QZ-4FY3].

121 Conor Cawley, *Bill Gates Just Bought an $80 Million Chunk of Land in Arizona*, TECH.CO (Nov. 8, 2017, 11:40 AM), https://tech.co/bill-gates-80-million-land-arizona-2017-11 [http://perma.cc/5Z2S-V5J6].

122 *See* Todd Krainin, *Gurgaon: India's Private City,* REASON (Dec. 15, 2016), http://reason.com/reasontv/2016/12/15/gurgaon-india-private-city [http://perma.cc/2669-3SXK].

123 *Id.*

124 *Id.*

Portugal.[125] Paranoazinho, a fifteen square kilometer new private community venture taking form near Brasilia, has the backing of libertarian developer Ricardo Birmann.[126]

Startup communities are improving conditions in low income neighborhoods as well as affluent areas. Thailand's Building Together initiative has worked with the informal sector to plan layouts for roads and lots, prior to "invasion" by squatters of idle public lands at the outskirts of Bangkok.[127] Squatter associations keep ownership of their newly created market areas and use the lease revenues paid by incoming merchants to defray the cost of infrastructure and basic services for community residents. In the Philippines, the Davao Development Foundation has worked in low and middle-income neighborhoods to help residents organize deed-based homeowners associations, to make neighborhoods safer and able to arrange for contractual provision of services.[128] In the United States, a similar approach has proven highly effective in reversing crime and blight in Waterman Place, St. Louis, doubling property values within a year of the residents' decision to turn from an informal group of neighbors into a durable, deed-based homeowners association.[129]

Housing cooperatives based on Community Land Trusts offer an innovative path to ensure affordable housing for low-income residents as property values rise. In Burlington, Vermont, the Champlain Housing Trust was formed in 1984 while Bernie Sanders was mayor.[130] It since has grown to become the largest community land trust in the country, managing 2200 apartments and more than 500 owner-occupied homes.[131] A notable innovation has been developed there. The Champlain Trust created a hybrid form of land trust that includes a commercial area where tenants pay market-priced rents, in parallel with residential areas where members of the Trust enjoy highly discounted long-term ground leases. The profits from the commercial areas enable the Trust to

---

125 ALPHAVILLE URBANISMO, http://www.alphaville.com.br/ [http://perma.cc/4LRZ-XVBN] (last visited Nov. 26, 2017).

126 Skype Interview with Ricardo Birmann [Brasilia] (Jan. 2016).

127 *See* MARK FRAZIER & CECILIA SAGER, COMMUNITY SELF HELP: A NEW STRATEGY 12 (1985).

128 See *id.* at 35.

129 *See* Mark Frazier, *Seeding Grass Roots Recovery: New Catalysts for Community Associations*, *in* RESIDENTIAL COMMUNITY ASSOCIATIONS: PRIVATE GOVERNMENTS IN THE INTERGOVERNMENTAL SYSTEM? 63, 64 (1989).

130 *See About Us*, CHAMPLAIN HOUSING TRUST, http://www.getahome.org/about-us [http://perma.cc/99QS-NJWA] (last visited Nov. 26, 2017).

131 *Id.*

sustain affordable ground rents for low-income tenants and homeowners.[132] This hybrid approach—akin to that used by Bangkok's Building Together projects—suggests a path for building future left-right coalitions. As residents become beneficiaries, via Community Land Trusts, of rising land values in commercial areas, they may become much more receptive to the introduction of SEZs and similar policy reforms that can rapidly lift land values in these areas. The more political rent-seeking is lifted, the higher will be the Trust's distributions of commercial land lease revenues for shared benefit.

III. INNOVATIONS IN GOVERNANCE

As fiscal and political strains intensify in nation states, reforms initiated by SEZs and startup communities can emerge as models for transforming governance. The following innovations point to opportunities for a phase change in governmental accountability and efficiency.

A. Incentivizing the Public Sector

Bureaucracies around the world tend towards inertia and stagnation whenever the quality of their performance has no impact on their internal rewards. Two of the world's most successful free zones have found an answer to this problem. They motivate their public sectors through innovative fiscal measures:

1. *Linking public sector pay to economic growth (via a national "Flexiwage" bonus)*

A key to Singapore's success has been the introduction of systemic rewards in pay for all civil servants, proportional to the overall growth of the productive sector. The Flexiwage incentives, now known as National Bonuses, are indexed to GDP growth rates of the Singaporean economy.[133] This compensation innovation was introduced in the mid-1980s as a key part of Prime Minister Lee Kuan Yew's effort to instill a higher level of professionalism and responsiveness in the culture of the civil service.[134] The reform has helped the public sector of Singapore become perhaps the most

---

132 *See* JOHN EMMEUS DAVIS & AMY DEMETROWITZ, PERMANENTLY AFFORDABLE HOMEOWNERSHIP 1 (2003).

133 *Frequently Asked Questions: Bonus*, PUB. SERV. DIV., http://www.ifaq.gov.sg/PSD/apps/fcd_faqmain.aspx?FAQ=34258 [http://perma.cc/G5KP-LHA6] (last visited Mar. 18, 2018).

134 *See* 1 SINGAPORE COUNTRY STUDY GUIDE: STRATEGIC INFORMATION AND DEVELOPMENTS 68 (2015).

transparent and efficient in the world. As a result of national bonuses based on the economy's performance, which has averaged more than six percent per annum since introduction of the policy,[135] compensation levels for Singaporean civil servants have risen to among the highest in the world. In contrast to their counterparts in most other countries, Singapore's civil servants have tended to consistently welcome, rather than resist, introduction of eGovernment and other solutions that help to remove bottlenecks for investors and entrepreneurs.

2. *Capturing Land Value Gains*

Singapore and Hong Kong, as Asia's leading SEZs since the mid-1800s, also are world leaders in land value capture for shared benefit. More than ninety-nine percent of all land in Hong Kong, and more than eighty percent in Singapore, is now owned by government or parastatal bodies. Their governments offer long term leases to private developers who are competitively chosen through open auctions and tenders. Revenues from land value capture cover as much as a third of the public sector's annual operating budgets. As landlords seeking to maximize demand for their offerings, the governments of Singapore and Hong Kong are keen to ensure world-class conditions for investors and entrepreneurs, because investors bid more for leases when they have confidence in the quality and stability of the business climate.

B. Using Technology to Cut Red Tape

SEZs also are innovators in eGovernment solutions that lift barriers to small and large firms alike. While bureaucracies in many nations cling to complex and opaque procedures for approving business startups, for importing/exporting goods, and for authorizing new investments, leading zones have introduced electronic systems that have radically simplified and sped up approval times to do business. Singapore's 4.5 million citizens and enterprises, for example, now can access 1600 eGovernment services at any time, providing rapid turnaround times for passport renewals, tax filings, and building construction.[136] The services—which can be accessed by cell phones as well as

---

135 *Singapore GDP Growth Rate*, TRADING ECON., https://tradingeconomics.com/singapore/gdp-growth [http://perma.cc/GC28-8MPP] (last visited Mar. 18, 2018).

136 *See* Speech Dr. Lee Boon Yang, Minister of Information, Communications & the Arts, Singapore's e-Government Journey (Sept. 20, 2007).

computers—are being used more than 150 million times per year.[137] Dubai similarly offers an eGovernment services app to interact with twenty-two government bodies.[138] The app called DubaiNow offers a single portal for filling in forms, filing reports, or making payments.[139]

Dubai is intent on going much farther. It aims by 2020 to become the first government anywhere to fully embrace the Blockchain, the innovative encrypted public ledger that can create a public, tamper-proof, auditable, and distributed record keeping system for ensuring the transparency of all governmental transactions.[140] A new government body, Smart Dubai, has been formed with a mission to improve the efficiency of living and doing business in Dubai with Blockchain-based solutions. Backers of the initiative predict that its Blockchain strategy will save 25.1 million man-hours valued at $1.5 billion annually.[141] The majority of the savings will come from a complete move away from paper-based systems in government to electronic document processing, which are to replace the current 100 million paper transactions a year.[142]

C. Doing More Through Privatization

SEZs are setting global standards for comprehensive privatization. The 500 square kilometer tax-free concession of Freeport, Bahamas, which Florida developer Wallace Groves negotiated in 1955, became the first example of a large community featuring a privately-developed, owned, and operated international airport, port, highway and road network, water/sewerage system, and electrical grid.[143]

---

137 *See* Chew Hui Min, *Download These Mobile Apps for Government Services on the Go*, STRAITS TIMES (Jan. 26, 2015, 4:39 PM), http://www.straitstimes.com/singapore/download-these-mobile-apps-for-government-services-on-the-go [http://perma.cc/KAN2-W54B].

138 Tan Wee Kwang, *6 Innovative Mobile Apps for Citizens*, EGOV INNOVATION (Aug. 2, 2016), https://www.enterpriseinnovation.net/article/6-innovative-mobile-apps-citizens-1659286554 [http://perma.cc/ZNN8-K73L].

139 *Id.*

140 *See* Rebecca Campbell, *Dubai Set to Achieve Goal of Becoming First Blockchain Government by 2020*, CCN (July 24, 2017, 13:07), https://www.ccn.com/dubai-set-achieve-goal-becoming-first-Blockchain-government-by-2020/ [http://perma.cc/88V8-R3NQ].

141 Damian Radcliffe, *Could blockchain run a city state? Inside Dubai's blockchain-powered future*, ZD NET (Oct. 5, 2017, 10:24), http://www.zdnet.com/article/could-Blockchain-run-a-city-state-inside-dubais-Blockchain-powered-future/ [http://perma.cc/FHA8-FEYD].

142 *Id.*

143 *See* OXFORD BUS. GRP., *supra* note 89, at 77.

Other SEZ milestones in privatization exist in Zonamerica, created by a Uruguayan company following the passage in 1987 of a free zone law that states "state-owned monopolies do not apply within free zones."[144] This sentence gave Zonamerica the right to bypass costly state telecommunications, electricity, and insurance monopolies, and to make private arrangements that gave its tenants access to services at competitive market prices. In addition, the Government allowed the Zonamerica developer to create and operate an electronically monitored Customs systems for the Zone, speeding movement of inbound and outbound goods. Given the scope of its freedoms from state monopolies, Zonamerica has become one of the most successful business centers in Latin America, presently employing more than 10,000 workers in logistics, software development, and a range of technology-intensive services and manufacturing operations.[145]

Privately developed startup communities—incorporating deed-based agreements that bind residential and commercial purchasers to join associations of property owners—have proven able to fund a full spectrum of local infrastructure and community services. Hundreds of thousands of homeowners associations, condominium associations, and housing cooperatives have been formed since the 1960s in the United States and around the world, taking on a number of responsibilities once left to local governments.[146]

D. Reducing Public Sector Debt

SEZs are also helping countries deal with unrepayable sovereign debts. Sri Lanka is a case in point. In late 2016, recognizing that its $8 billion in debts to China were untenable, the government of Sri Lanka agreed to a Chinese proposal that erased $1.1 billion of the amount due.[147] China accepted an in-kind

144 INSTITUTO NACIONAL DE LOGISTICA, *Regulatory Frameworks of Free Zones*, http://www.inalog.org.uy/en/regulatory-framework-of-free-zones/ [http://perma.cc/YZH4-8ULK] (last visited Mar. 18, 2018).

145 ZONAMERICA CAMPUS + PERFORMANCE, http://web.zonamerica.com/#/conocer-zonamerica (last visited Mar. 13, 2018).

146 *See Community Associations in the United States*, COMMUNITY ASS'NS INST. (2016). Given that twenty-four million households in the United States now belong to deed-based associations, political pressures are growing to allow tax rebates or deductibility on tax returns for the portion of HOA fees that pay for what are normally local government responsibilities. New Jersey during the early 1990s became the first state to allow this, with passage of the "Kelly Bill."

147 *See* Roel Raymond, *SEZ Agreement with China Before Year-End*, DAILY NEWS (Nov. 21, 2016), http://www.dailynews.lk/2016/11/21/local/99689 [http://perma.cc/Q6G3-YC4A].

payment in form of a concession to develop a fifteen square kilometer site as a SEZ. In follow up to the debt swap, China will make new direct investments in zone development and operate the zone in a self-funding way, collecting lease payments in hard currency.[148] Export-oriented companies locating in the new zone will contribute to Sri Lanka's foreign exchange and potentially generate hundreds of thousands of new jobs.[149] The Sri Lanka debt swap agreement creates a model that may become more widely applied with Chinese-owned SEZs in other countries, as and when host nations participating in China's global $4 to $8 trillion "Belt and Road" initiative find themselves unable to repay debts they have incurred.[150]

Costa Rica pioneered a "debt-for-free zone" swap in the 1980s, using it to fund a free-zone project near the capital of San José.[151] Private developers in that case purchased sovereign Costa Rican debt from third parties at a discount and reached an agreement with the Central Bank to erase the face value of the debt in exchange for a prime site and a concession to develop an industrial park-model SEZ. Today, the Sri Lankan and Costa Rican examples may prove useful precedents for investors seeking to convert unrepayable sovereign debt of countries such as Greece, Venezuela, and Zimbabwe into new SEZ concessions.[152]

E. Opening to Global Talent

SEZs also offer examples of innovative ways to engage global talent. As developed countries have been raising new barriers to immigration, Dubai, Singapore, and other city states and autonomous regions are welcoming unskilled skilled workers from all over the world. Approximately ninety percent of the workforce in Dubai and its sister Emirates are guest workers from other countries as a result of a liberal visa policy.[153] Although workers are exempt from paying income tax on their earnings, they or their employers must pay for a work permit and residency visa of approximately $135 per year per person (additional household

148 *See id.*

149 *See id.*

150 Ho, *supra* note 60.

151 Mark Frazier & Govindan Nair, *Stimulating Growth in Developing Countries*, 9 CATO POL'Y REP. 15 (1987).

152 *See id.*

153 *See* Froilan T. Malit Jr. & Ali Al Youha, *Labor Migration in the United Arab Emirates: Challenges and Responses*, MIGRATION POL'Y INST. (Sept. 18, 2013), https://www.migrationpolicy.org/article/labor-migration-united-arab-emirates-challenges-and-responses [http://perma.cc/4PTR-5RFD].

members pay about $67 annually for residency).[154] Dubai and the Emirates earn approximately $800 million annually from 7.8 million guest workers and their families.[155]

In Uruguay, Zonamerica is also benefiting from a liberal immigration policy. It is now home to more than 1000 software developers and ICT specialists from India, due to a policy that permits up to twenty-five percent of employees in the zone to be foreign nationals.[156] China has recently liberalized its visa policy as well to attract global talent to the Chengdu Free Trade Area and to Shanghai for three SEZ-style innovation zones.[157]

For more than a decade, Singapore has cast a global net to encourage immigration by entrepreneurs and highly skilled scientists, engineers, and academics. It now ranks number two (behind Switzerland) in Institute of Business Administration ("NSEAD") ratings of locations attractive to global talent.[158] In mid-2017, Singapore took a further step towards gaining the top global ranking. It introduced an 'EntrePass' visa that widens the pool of overseas entrepreneurs eligible for immigration, expands the duration of the visa from one to two years, and waives the former $37,000 minimum paid-in capital requirement for their startups in high technology fields.[159]

Although technically not a SEZ or startup community, the small "info state" of Estonia has introduced another innovation aimed at engaging global entrepreneurs and investors. Its e-Residency program, launched in December of 2014, makes available a government-issued digital identity to individuals anywhere in the world who pass a background check and pay a

---

154 *See UAE New Visa Fees*, DUBAIOFW, http://dubaiofw.com/uae-visa-fees [http://perma.cc/9DAJ-UW39] (last visited Feb. 14, 2018).

155 *See* Malit & Youha, *supra* note 153.

156 *See* ZONAMERICA, http://www.zonamerica.com [http://perma.cc/3ZFV-HLCK]; *see also* Conversation via Skype with Orlando Dovat, Chairman, Zonamerica, in Montevideo, Uruguay (October 10, 2012).

157 *Shanghai Introduces New Policies Aimed at Attracting Foreign Talent*, BAL GLOBAL (Dec. 19, 2016), https://www.balglobal.com/bal-news/shanghai-introduces-new-policies-aimed-at-attracting-foreign-talent/ [http://perma.cc/6YQP-DMKA].

158 David Roman, *Singapore is Asia's Best in Attracting Talent Amid Digital Push*, BLOOMBERG NEWS (Apr. 18, 2017, 11:11 PM), https://www.bloomberg.com/news/articles/2017-04-18/singapore-is-asia-s-best-in-attracting-talent-amid-digital-push [http://perma.cc/6DD6-67V4].

159 *See Key facts for EntrePass*, MINISTRY OF MANPOWER, http://www.mom.gov.sg/passes-and-permits/entrepass/key-facts [http://perma.cc/ETM2-6M26] (last updated Aug. 3, 2017).

one-time fee of $120.[160] Holders of e-Residency identities are allowed to virtually create and operate ventures in Estonia's highly transparent business climate and are not subject to national tax for whatever income they generate outside of Estonia.[161] To date, more than 4000 companies have been formed by 27,000 people who have responded to the program.[162]

Military and geopolitical strategist John Robb, a best-selling author, has speculated on how a city-state such as Singapore might use such a virtual system to become, almost overnight, a global superpower. In a 2013 symposium, he invited participants to consider a scenario in which Singapore decided that:

> [W]e're going to expand our city state to 200 million of the best people in the world, and we're going to adopt them as citizens and stitch them together in a variety of unique and interesting ways. In that instance, you have a virtual city state that will become extremely powerful, and [that] can do much more than you can see with current physical political structures.[163]

F. Serving the Whole Person

As an alternative to distracting and harried lifestyles, a growing number of entrepreneurially-developed communities are offering amenities aimed at promoting personal wellbeing and civic engagement, as well as professional and business success. SEZs such as Zonamerica in Uruguay, and the America Free Zone in Costa Rica, offer campus-style parks that include green spaces, bikeways, arts and music events, recreation and fitness centers, learning venues, and residential areas.[164]

Startup communities, similarly, are evolving to encourage healthy lifestyles and engagement with neighbors. Celebration, a Disney-developed suburb of Orlando, incorporates elements of a "new urbanism" that encourages human scale development and

---

160 *Estonian eResidency is lowering business costs around the world*, MEDIUM (Dec. 16, 2016), https://medium.com/e-residency-blog/estonian-e-residency-is-lowering-business-costs-around-the-world-d78d957a82fe [http://perma.cc/9NWL-WM8D].

161 *Id.*

162 Chris Skinner, *e-Estonia, A Country Full of e-Everything*, CHRIS SKINNER'S BLOG (Jan. 16, 2018), https://thefinanser.com/2018/01/e-stonia-country-full-e-verything.html/ [http://perma.cc/T53T-2RPW].

163 Reinvent, *Reinvent Governance*, YOUTUBE (May 31, 2013), https://www.youtube.com/watch?v=_fCCVt6Vfjc.

164 ZONAMERICA CAMPUS + PERFORMANCE, *supra* note 145; Tom Rosenberger, *Costa Rica's Sustainable and Green America Free Zone*, COSTA RICA HOME BUILDER (June 26, 2017), http://www.costaricahomebuilder.com/costa-ricas-sustainable-and-green-america-free-zone.html [http://perma.cc/K7UH-574A].

interaction with neighbors.[165] Active adult communities with a variety of amenities for exercise and wellness, lifelong learning, and recreation are growing in North America for individuals and couples nearing retirement age.[166] Resort communities in many cases have moved to diversify the range of activities and amenities offered to guests of all ages, and some now also promote service learning and "voluntourism" offerings that go beyond pre-packaged entertainment.[167] The global growth of ecovillages and other intentional communities reflects a general trend where homebuyers are moving to areas that let residents interact with nature and with each other in more authentic ways.[168]

These trends may become increasingly relevant as accelerating technologies drive down the costs of goods and services, and as the trend towards automation of rote work creates opportunities for people to interact in more fulfilling ways. Entrepreneurial communities attuned to the needs of the "whole persons" who opt to reside or visit can point the way to new kinds of convivial living,[169] and become destinations of choice for tens or hundreds of millions of people around the world who may seek to exit from, or create alternatives within, failed and failing nation states.

G. Safeguarding the Environment

Exemplary SEZs funded by private investors have become committed to lowering carbon footprints and operating in sustainable ways. Costa Rica's America Free Zone, launched in 1999, is at the forefront of environmentally sustainable office and industrial parks.[170] With more than 10,000 employees working primarily in call center and light industry for export markets, the campus-style Park is the first SEZ to earn overall Carbon Neutral certification from INTE.[171] Many of its buildings are LEED certified for Core & Shell, and the park has won Gold Certification from the US Green Building Council.[172] Its approximately 3000

---

165 *See* CELEBRATION, FLA., http://www.celebration.fl.us [http://perma.cc/3F9P-NFBA].

166 *See id.*

167 *See id.*

168 *See Ecovillages?*, GLOBAL ECOVILLAGE NETWORK EUR., https://gen-europe.org/about-us/ecovillages/index.htm [http://perma.cc/H9Y3-PF6V] (last visited Jan. 28, 2018).

169 Jordan Greenhall, *Politics Decentralized: A new paradigm of governance*, YOUTUBE (Feb. 4, 2017), https://www.youtube.com/watch?v=r3OlG4OmczI.

170 *See* Rosenberger, *supra* note 164.

171 *Id.*

172 *Id.*

square meters of solar panels generate an average of 500 kilowatt hours of electricity per month.[173]

The $40 billion Songdo SEZ in Korea is aiming higher.[174] Its developer is planning it to become the world's first completely LEED-certified city.[175] All major buildings have been designed to meet Korean standards, as well as international LEED certification requirements.[176] Its green design includes pneumatic tubes for waste disposal to avoid traditional garbage collection, windows with Low U value, water-cooled air conditioning, LED lighting, and solar energy.[177] These factors will reduce building energy consumption by almost one-third.[178] In addition to large reserves for parks and green areas, bike trails, and pedestrian paths, Songdo also features a network of charging stations for electrically powered vehicles.[179]

H. Sharing Upsides with Citizens

As concerns rise in developed nations over joblessness due to robotics and artificial intelligence, Universal Basic Income ("UBI") schemes are being discussed as a potential reform to soften the transition to economies that are based largely on automated production of goods and services. Three of the world's leading city-states—Singapore, Hong Kong, and Macau—are among the five economies in the world to date that have piloted UBI plans benefiting all residents.[180]

In Singapore, "Grow & Share" growth dividends were distributed from 2006–2011 to all adult Singaporeans out of the government's surplus.[181] The amount each resident received was

---

173 *Id.*

174 *South Korea Conceptualizes the Ultimate Smart City*, *supra* note 91.

175 Jack Eidt, *Songdo, South Korea: Utopian City of Big Data and Urban "Sustainability*," WILDER UTOPIA (Oct. 1, 2013), http://www.wilderutopia.com/sustainability/land/songdo-south-korea-utopian-city-of-big-data-and-urban-sustainability/ [http://perma.cc/JY3M-DBHZ].

176 *South Korea Conceptualizes the Ultimate Smart City*, *supra* note 91.

177 *Id.*

178 *Id.*

179 *Id.*

180 Goenchi Mati, *Five Countries already giving Basic Income*, GOENCHI MATI MOVEMENT (Feb. 9, 2016), http://goenchimati.org/five-countries-already-giving-basic-income/ [http://perma.cc/FV2B-X6X9].

181 *See* SGCGOT Team Staff, *Growth Dividends 2011*, SGCGO: SINGAPORE TRAVEL & LIFESTYLE (Apr. 6, 2011), http://sgcgo.com/growth-dividends-2011/ [http://perma.cc/HSZ5-NA8T]; *see also* Marissa Lee, *Memorable Singapore Budgets*, STRAIT TIMES (Feb. 8, 2015, 3:58 PM), http://www.straitstimes.com/singapore/memorable-singapore-budgets [http://perma.cc/SKC9-A4C5].

linked to their level of earnings and size of housing.[182] During the final year that the Government was running surpluses and funding the program, the dividends averaged $700 per recipient.[183] Hong Kong also briefly tried a similar "Scheme 6000" in 2011.[184] It took the form of a tax rebate program distributing $770 to all holders of a Hong Kong permanent identity card for the declared aim to "leave wealth with the people."[185]

Macau, a prosperous former Portuguese free trade zone located near Hong Kong, has embarked on a more sustained UBI initiative, the "Wealth Partaking Scheme."[186] Since 2008, Macau has distributed a UBI to all holders of a resident identity card issued by the Macau Special Administrative Region.[187] More than half a million non-permanent and permanent residents get the payments, with permanent residents now receiving about $1200 annually, double what transient residents receive.[188]

I. Experimenting with Polycentric Governance

Economists, legal scholars, and historians—including Vincent Ostrom, Tom W. Bell, Alexander Fink, Avner Greif, Bruno Frey, and James C. Bennett—have argued for decades that competition among and between jurisdictions and systems of law can lead to more efficient governance. Giving freedom of choice to individuals to choose among systems can be rewarding for providers of consistently transparent and accountable law.

SEZs in modern times have moved to make this promise a reality. By widening global options for entrepreneurs and investors, jurisdictions have had to compete to win the trust of people who formerly had far fewer high quality options for where to live and work.

Today, truly polycentric systems of law and governance are emerging in SEZs. These systems allow individuals to choose among legal systems without physically having to relocate. The

---

182 *See* SGCGOT Team Staff, *supra* note 181.

183 *Id.*

184 *Scheme $6,000*, WIKIPEDIA, https://en.wikipedia.org/wiki/Scheme_$6,000 [http://perma.cc/4XZE-3BEU] (last visited Jan. 28, 2018).

185 *Id.*

186 *Macau*, WIKIPEDIA, https://en.wikipedia.org/wiki/Macau [http://perma.cc/2764-PVV8].

187 *See* Kate McFarland, *Macau: Over 543,000 receive unconditional cash grants under 2017 Wealth Partaking Scheme*, BIEN (Oct. 22, 2017), http://basicincome.org/news/2017/10/macau-543000-receive-unconditional-cash-grants-2017-wealth-partaking-scheme/ [http://perma.cc/9EZD-B9T4].

188 *Id.*

leading innovator in this regard is Dubai, which since 2004 has allowed firms operating under its Financial Services free zone regime to choose between resolving disputes under the law of the United Arab Emirates or under British Common Law.[189] Local courts now have no power to overrule decisions made by the retired British judges who run the Common Law courts in Dubai.[190] In part because of the confidence that this legal reform has engendered among leading global financial firms, Dubai has become a world-class financial center that directly employs more than 20,000 people.[191] The Dubai dual court system is now prompting Abu Dhabi and Sharjah to follow suit.

Another pioneer in approving polycentric governance is Honduras, which enacted a law in December of 2013 that brings freedom of choice in legal systems to a new level.[192] The ZEDE legislation not only recognizes English Common Law tradition as a baseline for dispute resolution, but also allows parties residing in any of the SEZs to use the legal system of any mutually agreed foreign government to resolve their dispute.[193] Although local and overseas private investors are waiting on official designation of ZEDE sites, global developers anticipate a sizable market response given the freedom to create a new, corruption-resistant legal regime.[194]

In coming years, innovations of the kinds highlighted above will likely accelerate the global growth of SEZs. A world of increasingly brittle nation states and international systems can hope for the fullest possible extension of these innovations, sooner rather than later. Exponential technologies, as described by Peter Diamandis and Jeremy Rifkin in their recent books, are set to sweep across the world in ways that undo much of the present economic and financial base underpinning the present power of national and international bodies.[195] Oxford University researchers have projected that robotics and artificial intelligence within several decades will put close to half of today's jobs in

189 Worthington, *supra* note 76.

190 *Id.*

191 Worthington, *supra* note 76.

192 *See* Beth Geglia, *Honduras: Reinventing the Enclave*, 48 NACLA REP. AMERICAS 353, 355 (2016).

193 *See id.*

194 *See id.* at 360.

195 *See* JEREMY RIFKIN, THE ZERO MARGINAL COST SOCIETY: THE RISE OF THE COLLABORATIVE COMMONS AND THE END OF CAPITALISM 78 (2015); *see also* PETER H. DIAMANDIS & STEVEN KOTLER, ABUNDANCE: THE FUTURE IS BETTER THAN YOU THINK 31 (2012).

developed countries at risk.[196] In developing countries, the World Bank has predicted that the impact will be even greater, with as many as two-thirds of all industrial and agricultural jobs likely to be displaced by automation.[197] The rise of solar and other renewable energy technologies will have a further disruptive impact, collapsing revenues that now sustain fragile petrostates. This outcome will likely lead to job losses and contraction of entitlement programs, causing turmoil and further accelerating emigration. Polarizations and hatreds may flare as political demagogues cast blame upon others for deep technologically-driven internal and global dislocations.

Examples of trustworthy governance—and of new ways for people to share in the prosperity generated by free, technologically advanced areas—may be welcomed as traditional jobs grow scarce and nation states fail to meet public expectations. Successful SEZs and startup communities during this era of change can move to spread their innovations to economically troubled areas. Expanding relationships of trade, learning, and cultural exchange among SEZs can be key to their success. As Paragh Khanna observed:

> [C]ities rather than states are becoming the islands of governance on which the future world order will be built. This new world is not—and will not be—one global village, so much as a network of different ones. . . . Alliances of these agile cities are already forming, reminiscent of that trading and military powerhouse of the late Middle Ages, the Hanseatic League along the Baltic Sea. Already, Hamburg and Dubai have forged a partnership to boost shipping links and life-sciences research, while Abu Dhabi and Singapore have developed into a new commercial axis. No one is waiting for permission from Washington to make deals.[198]

---

196 *See* Aviva Hope Rutkin, *Report Suggests Nearly Half of U.S. Jobs Are Vulnerable to Computerization*, MIT TECH. REV. (Sept. 12, 2013), https://www.technologyreview.com/s/519241/report-suggests-nearly-half-of-us-jobs-are-vulnerable-to-computerization/ [http://perma.cc/SHH9-GXF9].

197 *World Bank: Automation Could Wipe Out Two-Thirds of Jobs in Developing Countries*, VOICE OF AMERICA (Apr. 21, 2017, 1:00 PM), https://www.voanews.com/a/world-bank-automation-could-wipe-out-two-thirds-of-jobs-in-developing-countries/3819640.html [http://perma.cc/K3JJ-6CEL].

198 *See* Parag Khanna, *Beyond City Limits*, FOREIGN POL'Y (Aug. 6, 2010, 8:05 PM), http://foreignpolicy.com/2010/08/06/beyond-city-limits/ [http://perma.cc/LD8J-ZN9C]. Khanna also notes that Japanese futurist Kenichi Ohmae foresaw the rise of an info-state era in *The Next Global Stage* (2005), including agglomerations of city-states resembling those of the Hanseatic era. He predicted these would become the world's next power centers. Khanna, *supra* note 41.

IV. POTENTIAL ALLIES FOR A PHASE CHANGE IN GLOBAL GOVERNANCE

Existing organizations that have specialized in free zones and contract-based communities are well positioned to help spread civil society and market-based governance alternatives. Potential global allies and partners for a global evolution in governing systems include:

A. World Economic Processing Zones Association (www.wepza.org)

Over the past four decades, WEPZA has been an influential proponent of SEZs, bringing together best practices from zone operators, public officials, researchers, and consultants. WEPZA began as a UN-funded intergovernmental body focused principally on assisting public sector Export Processing Zones, but gained independence and broadened its charter during the 1980s to support knowledge sharing, conferences and workshops, and studies for a full range of SEZs.[199] Key research findings have been shared via the web, and through the Flagstaff Journal of Special Economic Zones.[200] In recent years, WEPZA has sought to become a collaboration network for zone practitioners, private consultants specializing in market analysis, legal reform, and engineering, multilateral development organizations, think tanks, university faculty members, and government officials.[201] It also aims to map opportunities for "bold and innovative uses and implementations of zones."[202]

B. World Free & SEZs Federation (www.femoza.org)

WFSEZF is a second nonprofit research and technical advisory group on SEZs that traces its origins to UN-supported initiatives for free zones. Formed in 1999, the Geneva-based organization has been supporting governments in identification and planning of free zone development and promotion opportunities.[203] It has assisted Iran, Kazakhstan, Serbia, and

---

199 *History*, WEPZA, http://www.wepza.org/history/ [http://perma.cc/A98L-TT8Z] (last visited Mar. 13, 2018).

200 *Id.*

201 Jean-Paul Gauthier, *Mission*, WEPZA, http://www.wepza.org/ [http://perma.cc/44GL-KGL8] (last visited Jan. 28, 2018).

202 *Id.*

203 *Meeting with the President of FEMOZA World Federation of Free and Special Economic Zones*, BELARUSIAN CHAMBER OF COM. & INDUSTRY (Jan. 24, 2015), https://www.cci.by/en/content/meeting-president-femoza-world-federation-free-and-special-economic-zones [http://perma.cc/TE2U-CECZ].

Belarus via workshops, guided tours, training, and legal consultancies.[204]

C. The World Free Zones Organization (www.worldfzo.org)

WFZO is a Dubai-based non-governmental organization established in Geneva.[205] It was launched in 2014 by Sheikh Mohammed bin Rashid Al Maktoum, Vice President and Prime Minister of the United Arab Republics and ruler of Dubai, with participation from fourteen countries hosting SEZs.[206] WFZO has defined its mission as becoming the most international, multilateral organization for free zones of all kinds—"[p]roviding one, authoritative, collective voice to represent the interests of free zones around the world."[207] As of 2015, its membership had grown to 155 members, including free zones and zone associations; specialists including lawyers, consultants, government agencies, chambers of commerce, academics, and private corporations; and multilateral organizations including UN bodies, the World Customs Organization, and the World Trade Organization.[208] Current priorities include creating and sharing best practices for free zone success, holding conferences and conducting workshops, and building databases on zone-related activities. WFZO aims to "ensure the sustainability and ongoing success of the free zone model."[209]

D. Die Hanse – City League of the Hanse (www.hanse.org/en)

In 1980, a movement was launched by former Hanseatic cities to rekindle long-dormant relationships for the purpose of fostering direct tourism, business, and cultural exchanges.[210] This has led to the formation of Die Hanse, which describes its aim as "reviving the ideas and spirit of the European city/municipality on the basis of the cross-border concept of the historic Hanseatic League."[211] An annual assembly decides on which of member communities will

---

204 *FEMOZA & Other Organisations*, FEMOZA, http://femoza.org/femoza-other-organisations [http://perma.cc/PST3-3CNC] (last visited Jan. 28, 2018).

205 *FAQ*, WORLD FREE ZONES ORG. (2017), https://www.worldfzo.org/Pages/FAQ.aspx [http://perma.cc/4RS6-87ZQ] (last visited Mar. 13, 2018).

206 *About Us*, WORLD FREE ZONES ORG., https://www.worldfzo.org/Pages/About-Us.aspx [http://perma.cc/4JJS-7MD8] (last visited Mar. 13, 2018).

207 *FAQ*, *supra* note 205.

208 *Id.*

209 *Id.*

210 *Die Hanse today*, STADTEBUND: DIE HANSE, http://www.hanse.org/en/hanse-today/active-network/ [http://perma.cc/G9VA-7KHX].

211 *Id.*

host the "Hanseatic Days of Modern Times" international festival for the coming year. Public relations activities focus on publicizing historical and cultural aspects common to the Hanseatic towns and cities, and on engaging young people in ways that foster transnational understanding and relationships.[212] It is presently funded by the COSME program of the EU and by dues (approximately $60 yearly) paid by the member cities.[213] Headquartered in Lübeck, Germany, its member cities range from Novgorod in Russia to Hull in England.[214]

E. Community Associations Institute (www.caionline.org)

The leading association advancing the interests of privately-developed residential communities is the Community Associations Institute ("CAI"). As a U.S.-based international organization with more than 35,000 members, CAI has sixty-three chapters worldwide, including Canada, the Middle East and South Africa.[215] The organization assists private developers, HOA and Condominium Association board members, community managers, legal advisors, and other professionals.[216] Its educational activities include conferences, workshops, seminars, training programs, and certifications.[217] CAI maintains a library and database on community association management and governance, and publishes books, manuals, magazines, and newsletters in addition to its website.[218] The organization also provides briefings and testifies about the impact of proposed policy changes that can positively or negatively affect the future of covenant-backed property owners' associations. Through an affiliated foundation, CAI conducts research and acts as a global clearinghouse for information, innovations and best practices in private community association development, operations, and governance.[219]

---

212 *See id.*

213 *Membership*, STADTEBUND: DIE HANSE, http://www.hanse.org/en/hanse-today/active-network/membership/ [http://perma.cc/G74K-WK6T] (last visited Mar. 18, 2018).

214 *Association – The Hanseatic League*, STADTEBUND: DIE HANSE, http://www.hanse.org/en/hanseatic-cities/ [http://perma.cc/5FQ7-NB4C] (last visited Jan. 28, 2018).

215 *About CAI*, COMMUNITY ASS'NS INST. (2017), https://www.caionline.org/AboutCAI/Pages/default.aspx [http://perma.cc/3ZLX-BBZG].

216 *See id.*

217 *Id.*

218 *Id.*

219 *Id.*

F. Other Promising Allies

Beyond these SEZ and private community-oriented organizations, other groups are working for increased decentralization and devolution of power to cities. Notable examples include the Global Parliament of Mayors, United Cities and Local Governments, and the World Association of Major Metropolises.[220] These organizations and others aligned with their goals may play a key part in the rebirth of a world of increasingly autonomous and sovereign cities, given their rising power in economic and demographic terms, and their political ability to counter centralizing tendencies in today's nation states.

V. OPPORTUNITY FOR A RE-EMERGENT HANSEATIC LEAGUE

Although they have deep knowledge of and experience with past and present best practices, the above groups to date have offered few solutions on how SEZs and startup communities can adapt to a fast-approaching era of exponential change. Existing organizations of all kinds will be tested to the limit by coming changes in technology, financial markets, migrant and refugee flows, cultural conflicts, and security challenges. New solutions will be needed to navigate torrential changes ahead.

A New Hanseatic League can be at the forefront of innovating to meet these needs. It could arise through moves by online communities across the planet to explore self-funding solutions—grounded in zones of extrastatecraft—that can help societies transition through the upcoming disruptions.[221] With the help of volunteers forming virtual guilds to assist a range of technologically advanced free zone ventures, a New Hanseatic League can fill the vacuum created by the zero-sum power struggles of nation states by using digital tools to spread islands of opportunity in areas now ruled by corrupt regimes. These tools can introduce contractual forms of governance that can awaken assets in communities mired in poverty. They also can be extended to governance systems that can fully open oceans and space to human settlement and discovery.

---

220 Robert Muggah & Eugene Zapata Garesche, *How cities are rewiring international affairs*, DEVEX (Aug. 3, 2016), https://www.devex.com/news/how-cities-are-rewiring-international-affairs-88517 [http://perma.cc/7PZN-HTW6].

221 Vast pools of online talent could play a pivotal role in meeting these challenges. Wikipedia, Linux, Apache, and other open source and creative commons initiatives have engaged millions of volunteers in creation of free digital resources.

A global New Hanseatic League can engage those around the world who want to contribute towards these ends. It can offer associate member status to individuals who are ready to join (or create) online guilds that embrace what Explorers' Foundation founder Leif Smith describes as "freeorder" values and that can volunteer services to help existing and future SEZs and startup communities expand the frontiers of extrastatecraft.[222] Much as the original Hanseatic League drew strength upon the peer to peer relationships woven within and among its member guilds, a new Hanseatic League can work through social networks and specialized online communities to develop orientations and courses, provide work-study projects, and add value to grassroots projects freeing areas from political predation. This can create a powerful amplifier of extrastatecraft initiatives and force for their replication. Social networks, as observers such as Robert Muggah have noted, are now emerging as "Net States" approaching or overtaking nation states as a focus of the allegiances and daily engagement of billions of the world's people.[223]

Active communities of online volunteers can support a New Hanseatic League in bringing a range of opportunities to areas within failing and failed states. They can help plan and crowdfund "day one" benefits, such as microscholarships for online learning and eVouchers for telemedicine resources, for local residents who are interested in better governance and alternatives to predatory rule. These digital donations and related support services can flow especially to local allies who view New Hanseatic League-prepared orientations, who express interest in finding work in global freelancing markets, and/or who wish to launch entrepreneurial startups and self-help ventures. Volunteer guilds can expand virtual support for communities that identify possible sites for future SEZs, and chart paths for removing barriers to investment.

"In the twenty-first century, trust, reputation and reciprocal relations are again vital as people pursue projects and careers rather than just jobs," notes Jerry Edling, past editor of Public Diplomacy magazine.[224] "The port cities of the Hanseatic League

---

222 *See* Leif Smith, *freeorder – meaning and use*, LIBERTY (Apr. 30, 2014), https://freeorder.liberty.me/freeorder-meaning-and-use-of-the-word/ [http://perma.cc/G9KP-8DAT].

223 Robert Muggah, *Countries are so last century. Enter the 'net state*,' WORLD ECON. F. (Nov. 9, 2017), https://www.weforum.org/agenda/2017/11/countries-nations-net-states-globalization-populism/ [http://perma.cc/WW8J-VY23].

224 Jerry Edling, *The Future of Work*, AUGMENTED REALITY (May 9, 2017), http://augmentedrealtiy.blogspot.com/2017/05/the-future-of-work.html [http://perma.cc/KF5F-X3S9]. Parag Khanna has expressed the view on many occasions that Hanseatic precedents are

may stand, to paraphrase former President Ronald Reagan, as shining cities on a hill for the present century."[225] A New Hanseatic League backed by online guilds can spread digital seeds from which a new generation of free communities can emerge. These areas over time can break the grip of political rent-seekers on a worldwide basis, in rewarding ways for all who opt in.

A. Virtual Resources to Seed New SEZs and Startup Communities[226]

Three millennia ago, Phoenician merchants faced the challenge of building trust and trade across a war-torn Eastern Mediterranean. They came up with a solution that led to creation of the first sustained network of tax-free trade zones—an innovation that can help to spread hundreds or thousands of new zones of extrastatecraft in coming years.

Phoenician merchants discovered they could lead with a gift.[227] When exploring unknown areas, their vessels would anchor offshore from a new village and wait for nightfall, far away enough to avoid any risk.[228] In the darkness, they would dispatch a small boat to bring a sample of goods from their cargo. The merchants then would light a fire, leave gifts on the beach, and withdraw.[229] As daylight returned, the villagers' response would become clear.[230] Often the gifts would vanish and the beach would remain empty, prompting the boat to sail onwards.[231] In other cases, the locals left gifts on the beach in return for the Phoenicians.[232] These villages were where the Phoenicians chose to land and begin trade relationships.[233] This trust-building strategy led to the creation of long distance trade with counterparts in the Levant, Spain, Tangier, and the British Isles. In some of the welcoming areas,

---

increasingly salient, including in this 2012 interview: "I draw my inspiration from network prototypes like the Hanseatic League. Much can be learned from those medieval city alliances! Then as now, agile entities that respond[] in [a] network-based way to new technologies and commercial opportunities benefit the most." Parag Khanna, *The Cities-State*, PARAG KHANNA (Apr. 2012), https://www.paragkhanna.com/home/the-cities-state [http://perma.cc/KB7C-GHME].

225 *Id.*

226 For a visual representation of what is detailed in this Section, see Appendix.

227 Mark Frazier, Leading With a Gift: Moving from Multicultural Tensions to an Era of World Cities 2–3 (Oct. 2016) (unpublished manuscript), https://www.academia.edu/29722120/Leading_with_a_Gift_Moving_from_Multicultural_Tensions_to_an_Era_of_World_Cities.

228 *Id.* at 2.

229 *Id.* at 3.

230 *Id.*

231 *Id.*

232 *Id.*

233 *Id.*

Phoenicians also created tax-free trade outposts. These formed the western world's first enduring network of SEZs.

Offering "gifts on a beach" in digital form will enable a New Hanseatic League to plant seeds for potentially thousands of new zones of extrastatecraft. In the Internet age, digital donations can begin relationships with even remote communities that have been long mired in poverty and misrule, yet have promising sites for developing as future zones of extrastatecraft. Gift bundles can include free cell phone minutes, vouchers for Internet access, microscholarships for online courses, and offers of global volunteer support to help identify and launch crowdfundable local projects. As local allies explore these and other opportunities available through the virtual offerings of a New Hanseatic League, they can respond by uploading evidence of their interest in moving forward. The most promising local responses will be those that map scenarios for committing sites and reforms for new SEZs and startup communities to flourish. (As outlined later, such responses could unlock much higher levels of engagement and partnership opportunities with the League.)

Created with the help of new guilds of virtual volunteers, a new global Hanseatic League can offer digital donations and increasing layers of online support services for each of the following:

1. Anytime/Anywhere Learning

Education in many parts of the world falls far short of meeting needs. Public school teachers are frequently absent or go through the motions of teaching. Students tune out in class. Topics taught often are outmoded, ill preparing learners for coming market and technological change. Catalytic gifts from a New Hanseatic League can begin to change this. Microscholarships can be offered to cover the costs of accessing online skills and certifications, including new language and technical skills. In a not-far-off future, AI-assisted personal tutoring services and cell phone-based Augmented Reality and Virtual Reality experiences also can help learners more rapidly advance. These kinds of help can go to students and households whose members watch short clips on New Hanseatic League values and who pass a brief online quiz to confirm understanding of the near and long-term rewards of extrastatecraft. A key part of such introductions can be scenarios for awakening land values on idle sites via community land trusts formed as locally-owned SEZ development ventures. The League also can sponsor online contests with globally-recognized judges to help learners gain and spread skills valued in online markets.

Awards can recognize any person or group that records and uploads a proof of notable success—whether achieved through informal peer learning or League-provided online courses. Successes can include gaining or spreading skills in literacy, persuasive speaking and writing, keyboarding, graphic design, music, and/or storytelling.

2. Online Jobs and New Local Ventures

At present, hundreds of millions of jobseekers around the world remain unaware of immediate opportunities to find work in global freelance markets. Gifts offered by a New Hanseatic League can include online orientations on the range of such opportunities as well as starter bundles of credential-building experiences. These opportunities can be offered to individuals of all skill levels. For the less skilled, the League can arrange to send basic tasks such as entering data from scanned business cards, watching remote security cameras, creating custom ring tones, writing lyrics, sketching ideas for logos, and editing photos. Microprojects that require higher skills can include doing web searches, distilling information, creating short animations, or improving eLearning resources (including those provided by the League). New freelancers, by these means, can build a track record of experience crucial to their successful entry into burgeoning online markets such as Fiverr.com and Freelancer.com. High performers in these markets then may attract notice and direct investments into their new startup freelance ventures through organizations such as CodersTrust.com.[234]

In parallel with offering initial work-study "gigs" for jobseekers to build reputation visible in fast-growing online markets, a New Hanseatic League also can offer starter resources for individuals who prefer to launch actual ventures in their community. These can include how-to information and toolkits helping recipients identify self-help projects that can make their communities safer, healthier, and more attractive for business startups. Specific toolkits and volunteer services offered to local allies in poor areas could include help with launching entrepreneurial schools and peer learning circles, identifying sites for community land trusts, exploring markets for potential ecotourism and AirBnb ventures, and

234 *About*, CODERSTRUST, https://www.coderstrust.com/about/ [http://perma.cc/5B3F-XFFA]. CodersTrust describes its vision: "We believe in a borderless world with equal opportunities for everyone. We believe student finance and the freelance market will make this happen." *Id*.

creating web sites that highlight local opportunities for diaspora or other international investors.

3. Local Tech Initiatives

John Robb has summed up a formula for community success in the future: "[L]ocalize production. Virtualize everything else."[235] Exponentially improving technologies are bringing this success formula within reach. A New Hanseatic League can prepare online courses, toolkits, and coaching to help communities understand and act upon the expanding range resources for local self-sufficiency. Aspects covered can include advances in affordable solar powered microgrids, smartphone and drone assisted farming, makerspaces, shelter, water purification, and waste treatment.[236] Digital tools and support services can help League-assisted counterparts in communities identify practical (and crowdfundable) options in the near term, as well as envision future opportunities to benefit from breakthrough technologies. By these steps, communities can better position themselves for self-sufficiency as technologies enable re-localizing of many kinds of production. This shift likely will have broader implications. As George Zarkadakis has noted, it is possible that "the automation of work will mean the demise of big corporations and the rise of digital, small-scale, distributed cottage industries. Over time, these collaborative networks might evolve into virtual city-states, and even replace physical nations as the units of political organisation and citizen loyalty."[237]

4. Contract-based Governance

As failures of current political governance mount, a New Hanseatic League can offer digital resources that can enable civil society to create contract-based alternatives. These can be grounded on a simple pledge that could become a condition of membership in a global New Hanseatic League: "Do what you commit to do. Do not transgress against the person or property of others. Give in ways that help others become free." Individuals who uploaded a further pledge to use arbitration could unlock

---

235 Michel Bauwens, *Localize Production. Virtualize everything else. A collection of citations on open design and manufacturing*, P2P FOUND. (June 3, 2010), https://blog.p2pfoundation.net/localize-production-virtualize-everything-else-a-collection-of-citations-on-open-design-and-manufacturing/2010/06/03 [http://perma.cc/T6K7-LWME].

236 *See* KEVIN A. CARSON, THE HOMEBREW INDUSTRIAL REVOLUTION: A LOW-OVERHEAD MANIFESTO 127 (2010).

237 George Zarkadakis, *The economy is more a messy, fractal living thing than a machine*, AEON (Oct. 13, 2016), https://aeon.co/ideas/the-economy-is-more-a-messy-fractal-living-thing-than-a-machine [http://perma.cc/S2HC-5YSF].

further levels of digital support from the League, flowing as well to all of their friends and neighbors who make similar (Blockchain-recorded) commitments.

Among the additional digital donations can be apps for residents of poor areas to create private land registries, which could be especially helpful in awakening land values in places where government registries are prone to corruption. Residents could use cell phone cameras to take pictures of lot boundaries as well as short video statements by their neighbors regarding the uncontested property lines. These then can be uploaded through local internet centers to League-affiliated, Blockchain-based land registries for viewing by diaspora and other prospective investors. In cases where uploads to private land registries go unchallenged in an "open comments" period, and where public bodies agree to officially recognize the new (uncontested) neighborhood land registries, further digital resources would flow to all participants.[238]

A parallel offering by a New Hanseatic League could include apps and support services for neighborhoods seeking to form contract-based associations of property owners. Associations backed by Blockchain-recorded deed covenants would have a new means through which to privately undertake a wide range of functions. Based on their members' decisions, these functions may include cleanup/fixup efforts, crime watches, and contracting with service providers to fill gaps left by underperforming municipalities. To make group decision-making easier in these private self-governance associations, the apps and toolkits also could support extended proxy voting systems ("liquid democracy"), as well as introduce "double democracy" innovations proposed by Tom W. Bell to protect the rights of non-property owners in the system.[239]

5. Asset Uplift

Global "lead with a gift" offerings from a New Hanseatic League also could include innovative ways for all to share in the uplift in land values that occurs when political rent-seeking retreats. Hernando de Soto, a Peruvian economist and head of the

---

238 *See* Mark Frazier, New Catalysts for Sustainability, 36–54 (Oct. 15, 2005) (unpublished manuscript), https://www.academia.edu/4397389/New_Catalysts_for_Sustainability_Sabre_Foundation (exploring Asset-awakening impacts of digital donations for the Sabre Foundation with support from the late John C. Whitehead). The concept of digital donations as an opportunity for philanthropy originated with Sabre Foundation co-founder Josiah Lee Auspitz, an author and researcher on the philosophy of free institutions.

239 Bell, *supra* note 116, at 158.

Institute for Liberty and Democracy, estimates that more than $9 trillion in land values is now lost worldwide as a result of flawed governance systems.[240] The emergence of trustworthy land registries and creation of lasting property owners associations can be enormous catalysts in lifting land values.

Asset Uplift tools in the League's gift packages for poor communities could contain two key elements. The first would help local allies map contract-based ways for impoverished as well as affluent residents to share in the benefits created by upward moves in land values. It would provide guidance and support for creation of revenue-generating Community Land Trusts on now-idle public lands conveyed by local authorities. As neighborhoods become more attractive through the formation of private land registries and formation of homeowners associations, lease revenues would rise from lands held by the trust. These revenues could be directly shared with low-income residents who stayed active in crime watches, youth mentoring and tutoring, cleanup/fixup efforts, art and music festivals, or other actions benefiting neighborhood property values.

The second element in the Asset Uplift package would include tools for local residents to identify what barriers to investment and entrepreneurship most depress the value of their trust's land holdings. Working with global virtual guilds of the New Hanseatic League, the local residents could take stock of remediable barriers and identify practical policy measures that could bring about further gains for their shared land holdings. These reforms can become the foundation for future dialog between local residents and policymakers regarding ways to maximize lease revenues flowing from the Community Land Trusts. Lease revenues benefiting low-income residents could rise many times in value as policy reforms lifted barriers to investment and entrepreneurship in the trust-held areas. Variants of SEZs such as Endowment Zones and All-Share Zones have been proposed exactly for such purpose.[241]

---

240 *See* Chris Arsenault, *Property rights for world's poor could unlock trillions in 'dead capital': economist*, BUS. NEWS (July 31, 2016, 9:15 PM), https://www.reuters.com/article/us-global-landrights-desoto/property-rights-for-worlds-poor-could-unlock-trillions-in-dead-capital-economist-idUSKCN10C1C1.

241 *Endowment Zones: Building resilient safety nets, environmental trusts, and public services*, RADICAL SOC. ENTREPRENEURS (Apr. 25, 2012), http://www.radicalsocialentreps.org/2012/04/endowment-zones-using-commerce-to-build-safety-nets-and-public-services/ [http://perma.cc/MK2R-JQ63]; Mark Frazier, *Generating Assets in "All-Share" Demonstration Areas*, OPENWORLD INST. (2007), http://www.openworldinstitute.org/demonstration-areas-open-world/ [http://perma.cc/7G8W-BTM7].

Virtual guilds working on Asset Uplift initiatives could fast-track fundraising support for especially attractive local projects. The guilds can help local allies plan and launch global crowdfunding campaigns for development of small projects on the initial land trust areas. By agreement with the land trust, a (small) share in the lease revenues from large expansion areas could be set aside to recognize help from League-affiliated volunteer guilds that made exceptional contributions to the local Asset Uplift initiatives. Revenues from such shares could help cover costs of ongoing support from the virtual guild in attracting investors and businesses to the trust-held locations.

6. Financial Innovations

Another gift bundle offered by the New Hanseatic League, aimed at communities suffering from inflation or other monetary and financial disasters, could be a range of tools to bypass these failures. League support packages might include orientations on reasons for the explosive growth of cryptocurrencies, crowdfunding platforms, Blockchain-based systems for receiving and tracking overseas fund transfers, as well as new solutions for time-based bartering and creation of personally-issued currencies. The package also can include links to solution providers recommended by the League's various virtual guilds.

The League similarly could provide tools for creating local land-based currencies, in cases where Community Land Trusts or SEZs were ready to share ground lease revenues. As accelerating technologies make it possible to drive the costs of most goods and services toward free, land values will rise sharply in areas that best facilitate this process. Zones and startup communities offering plenitude to residents will find that their local land-based currencies will be in high demand, especially if holders can convert them into the rights to visit and/or live in the community for the lengths of stay indicated on the currency notes.

7. Public Sector Resets

As nation states come under mounting internal strains, needs are growing for public officials to understand—and act upon—opportunities to evolve in more responsive and decentralized directions. Gift bundles offered by the New Hanseatic League could contain digital resources for public officials to explore and understand options that lead to rewarding transitions.

The Public Sector Reset package could include multimedia tours and Skype sessions with officials of areas that have successfully moved away from bureaucratic and corruption prone

systems towards more transparent systems, especially through the vehicle of SEZs. Innovations such as Singapore's Flexiwage for increasing public sector salaries (in step with economic growth rates),[242] and Hong Kong's postwar success in generating more than $100 billion in revenue from leasing government-owned land,[243] can be among the innovations highlighted.

The League also could prepare a range of revenue-generating eGovernment solutions as part of the Public Sector Reset package. Turn-key eGovernment modules can draw upon global best practices, adaptable with the help of virtual guilds and in-country partners to local needs. Modules can be created for streamlined investment approvals, preparing build-operate-transfer deals with privately-funded infrastructure providers, open tendering of SEZ development concessions, auctioning of long-term leaseholds on publicly-owned sites, and introducing online systems for company registry, eResidencies and visas, and work permits.

The New Hanseatic League could globally promote ULEX as an interface for creating world-class SEZ enabling acts and implementing regulations. An open source initiative launched by Chapman University Fowler School of Law professor Tom W. Bell, ULEX makes it possible to integrate best practices from the statutes of a range of highly successful SEZ, as well as from established nation states, and apply them in small demonstration sites that can be designed to scale up to areas comparable to Singapore, Hong Kong, and Dubai in size.[244]

In almost all cases, the value of digital donations and support offered via a "lead with a gift" initiative would be keyed to evidence of local progress. Uploads by grassroots allies of videos to the Blockchain would confirm when pre-defined milestones had been reached. Each major milestone would unlock higher levels of support from a New Hanseatic League and its guilds of volunteers. These benefits would flow directly to neighborhood residents and to active self-help groups, in the form of microvouchers to access eLearning and eHealthcare, free cell phone minutes, and higher matching ratios in guild-assisted global crowdfunding campaigns to assist local projects. Smart contracts, also grounded in the

---

242 *See* PRIME MINISTER'S OFFICE, *supra* note 133.

243 *See* Shirley Zhao, *Does Hong Kong's land sale system need a new lease of life?*, S. CHINA MORNING POST, http://www.scmp.com/news/hong-kong/economy/article/2088556/does-hong-kongs-land-sale-system-need-new-lease-life [http://perma.cc/LT73-DVQ7] (last updated Apr. 19, 2017).

244 *See* Tom W. Bell, *Introducing ULEX: Towards Open Source Law for New Nations*, VOICE & EXIT (May 15, 2015), https://www.voiceandexit.com/introducing-ulex-towards-open-source-law-for-new-nations/ [http://perma.cc/R5Z6-H6KX].

Blockchain, could be used to remove any question over whether enriched gift bundles would flow as local skills spread, land registries of undisputed properties were created, and deed-based neighborhood associations were formed.

The greatest gift bundles could be reserved for residents of areas where policymakers transferred idle public properties to community land trusts—and agreed to policy reforms that would rapidly boost their value. In this way, a New Hanseatic League and its virtual allies would spread seeds for initially small, but scalable, SEZs to emerge. Grants of expansion areas to community land trusts in many economically-lagging regions could be substantial, paving the way for phased development of SEZs that could come to rival Singapore, Hong Kong, Dubai, and Shenzhen in size. Revenues generated by holding tenders to attract private developers in each phase could be shared with residents, local self-help organizations, public sector bodies (including Flexiwage-style bonuses for their personnel), and global virtual volunteers who had made contributions highly rated by the community.

SEZs created by this process would become full members of a New Hanseatic League, entering a community of virtually-frictionless hubs for innovation and wealth creation. As exponential technologies spread, all nodes in the New Hanseatic League network could become beneficiaries of a UBI—through radical reductions in the costs of now-scarce goods and services.[245] Peter Diamandis has referred to this trend as a manifestation of market-generated "technological socialism," in which machines rather than governments provide a wide range of free education and health care resources wherever Internet connections exist.[246] With regard to education, any individual who joined directly as an associate or full member of a New Hanseatic League community in the near future could receive personalized learning—delivered through mutual learning networks, free courseware, and AI tutors—highly attuned to their individual interests and needs. Over time, agreements on "sojourner visas" akin to those proposed by futurist James C. Bennett in *The Anglosphere Challenge* could be reached that give residents in good standing the ability to visit or live in other areas that have joined the League's network.[247]

---

245 *See* Peter Diamandis, *Demonetized Cost of Living*, DIAMANDIS TECH BLOG (July 18, 2016), http://www.diamandis.com/blog/demonetized-cost-of-living [http://perma.cc/T78T-4ABX].

246 *Id.*

247 JAMES C. BENNETT, THE ANGLOSPHERE CHALLENGE: WHY THE ENGLISH-SPEAKING NATIONS WILL LEAD THE WAY IN THE TWENTY-FIRST CENTURY 149–56 (2004).

This can lead to a rise in opportunities and living standards for residents of New Hanseatic League communities across the globe.

B. "Stretch Goals" for a New Hanseatic League

A New Hanseatic League also could advance human freedom, prosperity, and wellbeing in other ways. With the help of volunteers in virtual guilds working to free areas from political rent-seeking, the League can bring fundamentally new kinds of SEZs into being, adapting to the opportunities and challenges created by advanced technologies.

1. Advanced Forms of SEZs and Startup Societies

Over the millennia, SEZs have evolved. They have gone from small tax-free areas for storage and transshipment of goods, to campus-sized areas for manufacturing and services operations, to large freeports and Shenzhen-style zones with diversified economies and millions of residents. A New Hanseatic League can help launch a new generation of SEZs and innovative startup communities. These can cater to the exponential technologies that increasingly will enable radical advances for humanity in self-governance and in opening new frontiers.[248]

The League could engage global volunteers and work with leading NGOs, private developers, and infrastructure providers in coming years to establish the following new kinds of contract-based SEZs and startup communities:

a. World Cities

As developed nations move to block entry by migrants and refugees, opportunities are growing to establish new Hong Kong or Singapore-scale areas that can welcome immigrants who possess language and technical skills and value cultural pluralism.[249] World Cities open to such pools of talent also could draw upon the best elements of existing SEZ statutes and

---

248 *See* Frazier, *supra* note 50.

249 Mark Frazier, Creation of World Cities: An Opportunity for Economies in Transition 3 (Feb. 16, 1992) (unpublished manuscript), https://www.academia.edu/28944734/Creation_of_World_Cities_An_Opportunity_for_Economies_in_Transition_1992_original_study_; *see also* Frazier, *supra* note 227. A point system for entry visas into World Cities could be developed, keyed to an applicant's demonstrated understanding of: (1) transcultural values of individualism, and (2) demonstrated success in spreading these values among family members and friends whom accepted immigrants also could directly sponsor for visas. Before moving, individuals could gain many extra points by earning high reputations—and revenue—in global freelance markets such as www.Upwork.com, www.Fiverr.com, and www.Guru.com.

regulations worldwide when creating their policy environments, so as to establish unsurpassed environments for investment and entrepreneurship.[250] Private developers may compete to win rights to develop World Cities of this kind without need for subsidy, given confidence in the economic reforms as well as in sites offered by the host country for lease on a long-term basis. Rent-sharing agreements and build-operate-transfer concessions signed by developers of World Cities can produce notable revenue and asset gains for the government and citizens of the countries. The market opportunity for creating multiple World Cities is enormous—a 2009 Gallup survey concluded that 700 million people on Earth would like to move permanently to other countries.[251] Virtual guilds interested in promoting examples of depoliticized communities and in alleviating hardships experienced by those fleeing wars and failed states could make potentially historic contributions by helping to launch and spread World Cities.

b. Seasteads

Global talent similarly can be tapped on a large scale for creating "Seasteads"—floating startup communities that operate with a high level of freedom—on the world's oceans. Already, organizations such as the nonprofit, Seasteading Institute, and Blue Frontiers, its companion for-profit venture, have found a vibrant response from volunteers to initial Seasteading opportunities offered in the Pacific.[252] The success of an initial Seastead is likely to lead to generate waves of subsequent interest in sea-based communities. Many of these are likely to seek SEZ status or full-fledged autonomy and independence from political bodies. As described in *Seasteading*, a new book by Patri Friedman and Joe Quirk, Seasteads offer perhaps the most inspiring near-term prospects for volunteers from all countries to help create and spread globally visible examples of new forms of extrastatecraft.[253]

---

250 Bell, *supra* note 116, at 188.

251 Nelli Esipova & Julie Ray, *700 Million Worldwide Desire to Migrate Permanently*, GALLUP NEWS (Nov. 2, 2009), http://news.gallup.com/poll/124028/700-million-worldwide-desire-migrate-permanently.aspx [http://perma.cc/6G9H-AW2T].

252 *Floating City Project: A fresh start on a floating community by 2020*, SEASTEADING INST., https://www.seasteading.org/floating-city-project/ [http://perma.cc/ZU9R-ZCJW].

253 JOE QUIRK & PATRI FRIEDMAN, SEASTEADING: HOW FLOATING NATIONS WILL RESTORE THE ENVIRONMENT, ENRICH THE POOR, CURE THE SICK, AND LIBERATE HUMANITY FROM POLITICIANS 31 (2017).

c. Earthports

Another opportunity to inspire New Hanseatic League volunteers is the prospect of creating large new SEZs that accelerate humanity's leap into space. Rapid plunges in launch costs are now making it possible for international space freeports, first proposed during the 1970s by the Sabre Foundation, to become economically as well as politically feasible.[254] Given the introduction of Hong Kong-class incentives at prime launch sites (ideally located near the equator for maximum launching efficiencies), and at nearby areas attractive to a range of investors, ground lease revenues could reach hundreds of millions of dollars annually. A portion of these revenues could be applied to prepare off-planet human settlements governed by contractual agreements rather than political bodies.

d. Communities in Space

The prospect of mass movements of people into space is no longer a remote prospect. Elon Musk, the founder of SpaceX, has recently announced his intent to develop a city on Mars with one million residents before 2067.[255] He's planned the first manned Mars mission in 2023.[256] In view of this timeline, volunteer guilds assisting a New Hanseatic League could make valuable input regarding the potential for contractual governance systems to help new settlements on Mars minimize or avoid the kinds of recurring political dysfunctions that have scarred Earth.

These areas can be grounded in a philosophy of free institutions that respect a self-organizing "freeorder" contractual basis for civilizations. The next generation of SEZs and startup communities in a New Hanseatic League can be grounded in covenants to depoliticize relationships among sovereign individuals of all creeds, countries of origin, and biological lineages.

2. Uses of Common Heritage Resources

A New Hanseatic League can extend a revolution in governance in another way. It could lead in preparing extrastatecraft agreements for the development of resources in

---

254 Michael A.G. Michaud, REACHING FOR THE HIGH FRONTIER: THE AMERICAN PRO-SPACE MOVEMENT 1972-84, at 247–70 (1986).

255 Sarah Knapton, *Elon Musk: We'll Create a City on Mars with a Million Inhabitants*, TELEGRAPH (June 21, 2017, 5:09 PM), http://www.telegraph.co.uk/science/ 2017/06/21/elon-musk-create-city-mars-million-inhabitants/ [http://perma.cc/MXD5-HZ5L].

256 *Id.*

Outer Space. International treaties recognize space as "common heritage" frontier whose resources are to be developed on a basis that benefits all humankind.[257] The Outer Space Treaty of 1967 forbids ownership claims by nations as well as corporations.[258]

The treaty has had a positive aspect. It creates room under international public law for depoliticized frameworks to globally share the commercial benefits of resources found on humanity's ultimate frontier. In the five decades since the Outer Space Treaty was adopted, however, little headway has been made in opening space for the benefit of all of humanity. The 107 ratifying nation states have deadlocked over ways to commercially develop common pool resources of outer space in accord with the treaty provisions.

A New Hanseatic League may overcome the impasse by introducing new contractual systems for developing space resources for the benefit of all humanity. These can be grounded on the insights of Elinor Ostrom and Chris Cook, who have respectively mapped the potentials for non-governmental user associations and "nondominium" legal frameworks to encourage commercial development of common pool resources.[259] In both cases, agreements are created for stewardship, rather than for ownership of commercially-valued resources. (The nondominium legal vehicle would enable stewards to set transparent tenders for private investors to bid on commercial development opportunities, with escrowing of paid-in fees and royalties until all who wished to benefit from the common pool resource have come to unanimous agreement on how to use the funds.)[260] A New Hanseatic League could create covenants for communities to use such frameworks to escrow leasehold fees paid by developers, as a means of respecting the Treaty's ban on land ownership claims.

The League could go a step further to ensure that every human being can share in commercial development of space

---

257 Valnora Leister, *Economic Governance and Space Law: Emerging Foundations for Development of "Common Pool Resources" in Outer Space*, 3 INDIAN J. INT'L ECON. L., 64, 66–67 (2010).

258 Elizabeth Howell, *Who Owns the Moon? Space Law & Outer Space Treaties*, SPACE.COM (Oct. 27, 2017, 9:00 AM), https://www.space.com/33440-space-law.html.

259 *See* Leister, *supra* note 257, at 64; *Nondominium: establishing consensus and collaboration for the Caspian nations*, UCL RESILIBLOG (Oct. 4, 2011), http://blogs.ucl.ac.uk/resilience/2011/10/04/nondominium-establishing-consensus-and-collaboration-for-the-caspian-nations/ [http://perma.cc/74LG-K2UQ].

260 Valnora Leister & Mark Frazier, *From Local to Global Commons: Applying Ostrom's Key Principles for Sustainable Governance*, CONFERENCE ON EARTH SYSTEMS GOVERNANCE 18 (2012).

resources. Startup entrepreneurs who join New Hanseatic League could use the liberalized business climates established by member zones and startup communities to fund their ventures, by initiating global Initial Coin Offerings ("ICOs") and equity crowdfunding campaigns. Ventures funded by this means could include a set-aside for a success-sharing innovation proposed by Trent McConaghy, who has suggested a way to broadly "tokenize" shares in enterprises conducting ICOs.[261] By contractual agreement with League and/or any of its supporting guilds, a small portion of the tokens issued by each spacefaring ICO could be escrowed for a future global "airdrop," building on recent international precedents.[262] (In the New Hanseatic League covenants, each person on Earth would have a Blockchain-recorded birthright to a direct pro rata sliver of the tokens reserved for this success-sharing purpose by spacefaring ventures.) Over time, the value of such set-asides could rise significantly given the magnitude of the wealth waiting to be created on the new frontier. Escrowed funds for individuals would be released by New Hanseatic League smart contracts upon the first of the following conditions to occur: the value of the escrowed funds reach a League-set threshold level, or any nation state individually requests the League to release the escrowed funds directly to its citizens.

In the vacuums left by failures of nation states to act, Jurgen Brauer and Robert Haywood have identified ways for global civil society organizations to move forward as "non-state sovereign entrepreneurs" and "non-territorial sovereign organizations."[263] Their paper, published by United Nations University in 2010, gave as examples the cases of ICANN, the nongovernmental body responsible for ground rules applying to all Internet domain registries, and the International Accounting Standards Board ("IASB"), a similar nonpolitical body which sets global standards for financial reporting. Brauer and Haywood conclude that "state-based global governance is unlikely to succeed" in creating effective, peaceful and just responses to looming challenges.[264] Another form of governance in their view holds far more hope—one

---

261 Trent McConaghy, *Tokenize the Enterprise . . . And Melt It Into the Community. Rinse, Repeat.*, BIGCHAIN DB (June 6, 2017), https://blog.bigchaindb.com/tokenize-the-enterprise-23d51bafb536 [http://perma.cc/4DJX-7BPJ].

262 *See Global Bitcoin Airdrop 2017 Will Take Place in Six Countries*, ALTCOINTODAY (July 29, 2017), http://www.altcointoday.com/bitcoin-airdrop-2017/ [http://perma.cc/F48J-NK4D].

263 Jurgen Brauer & Robert Haywood, *Non-state Sovereign Entrepreneurs and Non-territorial Sovereign Organizations* 9, 12 (UN Univ., Working Paper No. 2010/09), https://www.wider.unu.edu/sites/default/files/wp2010-09.pdf.

264 *Id.* at 9.

created by civil society and by business organizations that have transcended state boundaries. A New Hanseatic League can help fill the void created through nation state failures by following the precedents of ICANN and IASB to build a similar global sovereign non-state enterprise for contractual governance.

VI. SHARING THE UPSIDES

Given adoption of favorable policies, zones of extrastatecraft have the potential to awaken trillions of dollars in now-dormant land values on Earth, as well as to open immense off-planet sources of wealth. The prospect of enabling such gains can help a New Hanseatic League reward governments and residents in sponsoring countries, incentivize guilds of virtual volunteers, tap talents of refugees and other at-risk populations, and create options for funding new global rounds of catalytic gifts to expand the number of success-sharing zones and startup communities affiliated with the League.

A. Enriching Sponsoring Nations

Host countries assisted by the New Hanseatic League can reap substantial revenues and land value gains, proportional to the size and quality of sites conveyed and the strength of policy reform commitments. SEZs and startup communities operating on long-term land leases could become an especially rewarding opportunity. One way to enrich host countries would be through a Hong Kong-inspired system in which the host government retains ownership of all land and arranges global auctions and tenders to attract bids by risk-taking private investors that seek long-term (fifty-year) leases. Hong Kong has reaped more than $100 billion over four decades in revenues from auctions and tenders given the exceptionally favorable tax and regulatory environment it has maintained for investors and entrepreneurs.[265] The upsides of this approach need not go to the government alone. Shares of the annual lease revenue generated on publicly-owned sites benefiting from SEZ status also could flow directly each year to residents, following the precedent of Macau's UBI "Wealth Partaking" system.

Other revenue-generating opportunities for host countries can arise through introduction of eResidencies and online company registry systems after the successful models of Estonia and of Delaware in the United States.[266] Substantial further earnings

265 *See* Zhao, *supra* note 243.
266 *See* MEDIUM, *supra* note 160.

could be realized through introduction of Dubai-style online visa and work permits, as well as new "green lane" eGovernment services that offer fast-turnaround processing of forms and permits in return for a web-based user fee.

A further way for host countries to profit is through build-operate-transfer concessions. In these, private bidders seek rights within an economically liberalized area to develop airports, ports, road, electric, and/or water/sewer systems. The chosen concessionaire then can profitably recoup its investments through user fees over a pre-agreed period, normally in a twenty to fifty-year range. During this period, the concessionaires progressively transfer ownership of the infrastructure to local counterparts, who at the end of the agreed term hold full or almost-full ownership of the physical assets built by foreign risk-taking capital and ongoing income from user fees.

B. Rewarding Volunteers and their Guilds

A New Hanseatic League could offer rewards for individuals and guilds of their choosing that provide tools and services valued by communities and countries. Creators of open source eLearning resources, crowdfunding tools, policy reform packages, eGovernment apps, lease auction and tendering systems, and online support services could be rewarded with "Freedompoints," a new League-issued reputation currency. Freedompoints could be earned by any volunteer earning overall high feedback ratings from participating communities, and/or by being credited by these communities for making valued specific contributions to achieving crowdfunding goals, policy reform targets or market-based successes for specific projects. Local allies in the same way might earn Freedompoints by uploading video clips confirming active contributions to neighborhood improvement efforts over a sustained period and/or launching community land trusts and securing policy reforms. All holders of Freedompoints might convert them into microvouchers or other digital resources of value to themselves, to their friends and families, and/or to others in their guilds. Recipients also would have options to donate Freedompoints to local or global good causes of their choosing aligned with New Hanseatic League values and pilots of extrastatecraft. In areas where local communities so agreed, Freedompoints might convert into shares for guilds in ground lease revenues generated by the land trusts and SEZs that their members had helped in early stages. The prospect of earning a share in the ground rents of future Hong Kongs and Singapores could be a powerful incentive for virtual guilds to effectively

volunteer. Visa costs also might be discounted by League-affiliated communities to ease future entry by volunteers and their families into the global network of League-affiliated SEZs and startup communities.

C. Helping At-Risk Populations

At present, the challenge of dealing with sixty million migrants, refugees, displaced people, and stateless persons is overwhelming the capabilities of nation states and international organizations. A New Hanseatic League may be able to make urgently needed contributions. Virtual guilds of volunteers could directly assist refugees and others in gaining skills, absorbing transcultural values, entering online telework markets, and earning reputations through small work-study freelance gigs. High performing individuals then could be invited to join guild teams volunteering to help formative projects for SEZs and startup communities in impoverished or other troubled areas. These projects especially would aim to help seed and support immigration-friendly World Cities. Those who received positive feedback ratings for their volunteer work could earn Freedompoints for themselves and their families. Outstanding volunteers also could receive donations of frequent flier miles from their guilds, and/or employer-sponsored visas to locate in Dubai or other SEZs in the New Hanseatic League network that offer liberal entry for guild members in good standing.[267]

D. Funding New Rounds of Catalytic Gifts

Before beginning volunteer efforts to help formative SEZs and startup communities, the League also might invite local counterparts to enter into pay-forward agreements, keyed to the future upsides generated. Such agreements might apply to expansion areas linked to small initial sites chosen for pilots of extrastatecraft. Such pay-forward provisions would be activated in cases where the local community asked the League to organize global tenders to attract private developers for the large-scale expansion areas. An agreed small portion of the upfront fees paid by the top bidder could help the New Hanseatic League seed more contractually-governed communities. (The rest would flow

---

267 For a fuller description of this Freedompoints-related opportunity, see Mark Frazier, *Seeds of Change Challenge Offers*, OPENWORLD (2014), http://www.openworld.com/accessing-openworld-challenge [http://perma.cc/33VM-E7TS]. Income earned from projects in online freelance markets (or from virtual volunteering through the League's virtual guilds to awaken land values for specific projects) would provide further resources for refugees and migrants in the course of resettling.

primarily to local stakeholders, plus any of the League's guilds that the local counterparts felt had made notable contributions.) The pay-forward funding would enable the League to extend further "lead with a gift" offers of digital donations and seed more voluntarily-governed areas.

A possible incentive might give added reason for local projects to support a global pay-forward fund. The League could track the flow of funds committed by each project for this wider purpose. As future revenues came into the New Hanseatic League, it could vest each of the contributing communities on a pro rata basis as beneficiaries. The revenue streams could be generated via performance-linked contracts, under which the League would hold global tenders to attract private investors to develop World Cities and other large new extrastatecraft ventures, both on and off the planet. As these new privately-funded communities contribute to the pay-forward agreements, they in turn would benefit from the creation of further areas of extrastatecraft.

VII. A STRATEGY FOR LAUNCHING THE NEW HANSEATIC LEAGUE

The heart of the New Hanseatic League's strategy is to mobilize online talent and SEZs in partnerships that spread contractual systems of governance across the planet. Immutable agreements—such as those offered by the Blockchain and by Ethereum-based smart contracts—could ensure sharing of the resulting land value gains. Ultimately, the League's strategy can vest all people on Earth as shareholders in newly-created depoliticized areas. The following are steps to achieve this outcome.

A. Startup Scenario

1. Creating the Working Group

With support from highly regarded, technologically advanced SEZs—prospective Lübecks and Hamburgs for a globalized New Hanseatic League—a Working Group meets and refines the aims and values for the new venture. It designs a transparent, capture-proof, and politically nonaligned founding agreement to sustain peer-to-peer relationships among present and future zones of extrastatecraft.

Practical issues resolved by the Working Group include choosing a legal vehicle and domicile and inviting a global network of supporters to join as founding members of the League. They design incentive frameworks for virtual guilds and others to provide in-kind inputs to SEZs and startup communities. The Working Group also engages a global core management team to

approach aligned organizations and potential funders, begins a world-wide publicity campaign, and launches a crowdfunding drive to attract resources for the League.

2. Activating Partners

Open source communities form League-affiliated virtual guilds to prepare toolkits and provide online help for new SEZs and startup communities. Highly regarded NGOs and technology research and development ventures offer plans to pilot exponential technologies in learning, healthcare, power, transportation, and government.

3. Developing Orientations and Starter Toolkits

Virtual volunteers go to work on creating orientations that can help individuals see the scope of opportunities. They develop downloadable materials in multiple languages to build skills and credentials for students and jobseekers to successfully enter online freelancing markets. Similar packages are created for local groups in poor areas to create private land registries, strengthen neighborhood self-help abilities, and map paths for creating land trusts and scalable SEZs. Orientations for public officials on success-sharing zones also are completed.

4. Preparing Global Prizes and "Lead with a Gift" Challenge Offers

Global crowdfunding campaigns enable the League to announce contests for communities to win "Lead with a Gift" challenge offers of digital donations. These gift offers of microscholarships, vouchers for telemedicine services, and introductory telework gigs go to localities that agree to explore SEZ and startup community opportunities. An annual global prize also is funded to benefit communities that go the farthest in launching extrastatecraft initiatives.

5. Sparking Local Projects and Virtual Volunteering Initiatives

A test project offers catalytic donations to pilot communities in poor areas on each continent. These flow to residents once a target number has viewed New Hanseatic League orientations on tools and support services created by League-affiliated guilds of volunteers. Higher levels of donations and volunteer support are unlocked as and when local residents move ahead with any of the tools. Progress uploads from the pilot villages prompt release of further donations and online help, including guild support for

global crowdfunding drives to back their locally-chosen extrastatecraft pilots.

As videos from successful pilot projects are uploaded, the League raises new funds for its member guilds to expand challenge offers of digital donations. The League activates the first annual regional and global competitions to recognize and reward grassroots breakthroughs.

6. Amplifying the Best Examples

Virtual volunteers and local allies prepare documentaries and short courses showing highlights and lessons learned from the best extrastatecraft projects. These become part of learning resources and toolkits for subsequent projects. Freedompoints are awarded to all co-creators of highly rated materials, as well as to volunteers who lend outstanding virtual or onsite help to exemplary local initiatives (based on local feedback ratings).

7. Launching Large SEZs and Startup Communities

As local successes grow, the League mounts further global contests to support large-scale SEZ and startup community projects. Communities around the world are invited to commit vacant sites plus policy reforms to launch the next generation of Singapores and Hong Kongs. Contingent pledges of more than $500 million are raised from crowdfunding campaigns, philanthropists, and others for a World City competition to create a SEZ with liberalized visa policies. Guest worker visas are granted to 100,000 refugees and economic migrants who have earned outstanding reputations for their projects in global freelance markets and passed tests confirming world-class language skills and an appreciation of transcultural values.

Within three years of operation, the first World City is prospering and the New Hanseatic League repeats the process. Private developers bid for concession rights to develop and operate the next World Cities under land rent-sharing and build-operate-transfer infrastructure agreements that directly benefit governments and citizens of the host countries.

8. Opening New Frontiers for Voluntary Governance

The New Hanseatic League reaches agreements with entrepreneurial launch companies to work towards creating international space launch areas—Earthports—as tax-exempt freeports for opening humanity's next frontiers. Several of the sites offered by countries for the project include large land grants with SEZ incentives. Annual land lease revenues are shared

equally between the host government, citizens of the country, and civil society organizations working with entrepreneurs to create future off-planet communities.

A similar process unfolds with League assisted Seasteading initiatives. Virtual guilds of volunteers work with nonprofit and for-profit firms to establish land-based SEZs in tandem with Seasteading concessions. A pre-agreed share of the annual ground lease revenues produced by the land-based "Endowment Zones" goes to fund eLearning and eHealthcare vouchers for all residents of adjacent communities.

B. Issues to Resolve

Early in its activation, the New Hanseatic League can deal with a range of open questions. The following are initial ideas on how the League and the global guilds of virtual volunteers may choose to answer them.

1. *What could the League do for already established SEZs and contract-based communities?*

A key challenge for established zones and contractually-governed communities will be dealing with the demonetizing and job-destroying aspects of new technologies. Zones that rely on labor-intensive means of production will be vulnerable to disruption as automation advances and rapidly deflates the prices of goods and services in open markets. Rather than depend on yesterday's models, such areas can use toolkits and volunteer services offered by the New Hanseatic League to press for policy reforms that accelerate introduction of exponential technologies. The League also could help established zones and communities in identifying expansion area opportunities for established developers by pressing governments to convey sites into "Endowment Zone" community land trusts and apply policy reforms to increase their value. Owners, residents, and workers in the original SEZs and contractual communities could become shareholders in the land value uplift from such expansion zones as new technologies drive goods and services towards free.

2. *How will the League help new extrastatecraft areas expand from small pilots?*

The League could provide model contracts that create dynamics for pilot areas to grow substantially over time. Initiators, investors, and providers of in-kind services in small startup zones could receive shares in the land value gains from each expansion area associated with the original project. Workers

and/or residents who came in during the first "quickstart" phase of SEZ development also might invest in shares of the lease revenues from development of later phases. Those who joined and helped during the second phase of development would reap rewards from a share in the lease earnings in third as well as subsequent expansion phases. In this way, "race conditions" could be established that incentivize all to contribute to pilot phase successes and to press thereafter for continuing expansion. Broad vesting of residents and workers in this way would create powerful economic and political pressures on policymakers to steadily enlarge zones of extrastatecraft.[268]

3. *Can a New Hanseatic League contribute to easing refugee and migrant crises?*

Virtual volunteers could engage refugees and migrants in co-creating curricula aligned with New Hanseatic League values of pluralism, transculturalism, and respect for personally-chosen destinies.[269] Volunteers also could draw on refugee talent to prepare online platforms that help large numbers of students and jobseekers enter and find work in fast-growing global freelance markets such as www.Fiverr.com and www.Freelancer.com. Migrants and refugees could further help the League's guilds in preparing toolkits, business plans, asset-awakening policies, and model concession agreements for future Hong Kong and Singapore-scale World Cities. Augmented Reality and Virtual Reality walkthroughs could give prospective in-country allies and global crowdfunding supporters a preview of the opportunities. The League's virtual guilds also could extend enriched online support for migrants and refugees who gain international language skills, accept a live and let live ethos, and earn positive feedback ratings in global telework markets. Through such means, the New Hanseatic League could bring near- and medium-term opportunities to those who have fled failing states and are searching for new safe havens, as well as to those who may wish to return home and apply extrastatecraft innovations.

---

268 Real Estate Investment Trust ("REIT") the arms of a Community Land Trust could also offer reverse mortgages for private landowners. They would transfer their land to the trust but could retain lifetime ownership of their dwellings. In return for transferring land, they would receive upfront payment plus a pre-set share in earnings from ground leases in commercial areas of later zone expansions. The SEZ provisions would exempt upfront payments and later ground lease sharing from all tax burdens.

269 Such learning resources can include virtual tours of leading free zones and contractual communities, examples of extrastatecraft found in global works of imaginative fiction, and introductions to seminal works on "freeorder" and on the philosophy of free institutions.

4. *How will nation states react to new areas of extrastatecraft?*

SEZs could help stagnating and fragile regimes. China went from a sclerotic state-dominated economy to the most dynamic economy in history following the introduction of economically liberalized zones as proving grounds for market-based reforms. A New Hanseatic League can help spread SEZs in brittle nations with now-stagnating or collapsing economies as a relatively safe path to more open and sustainable economic systems. The League also can offer appealing transitions for countries and communities where market forces remain suspect and where inflexible labor laws are entrenched. In such cases, the League and its guilds can propose models of SEZs based on social ownership of land, following Hong Kong and Singaporean precedents. Workers in zones where land is socially owned could receive direct shares in the lease auction revenues generated by rapidly appreciating areas of extrastatecraft. In return for such wealth-sharing, new labor code flexibility can be introduced in the zones as a means of boosting investor demand in the associated dividends from land rents to workers and their families. The New Hanseatic League would urge statist regimes of all kinds to move from their current (political) rent-seeking system to a more durable and lucrative alternative: land rent-seeking through (politically-designated) zones of extrastatecraft.

Rewards for countries that opt for pilots of extrastatecraft will rise to the degree that other nations do not allow them. States refusing to pilot deep reforms will divert global flows of investment and talent into more welcoming areas established by other societies. Ironically, on a personal basis, rulers who block zones of extrastatecraft in their own realms also are likely to favor the success of economically liberalized areas and tax havens in other jurisdictions, as a means of parking their wealth.[270]

5. *Will a New Hanseatic League be prone to capture by nation states?*

Great powers, as well as smaller nation states, throughout history have used SEZs as an instrument of expanding political

---

270 Bribery and corruption is a $3.6 trillion annual industry according to 2016 United Nations' estimates. *See 2017 Theme: United against corruption for development, peace and security*, UN (2017), http://www.un.org/en/events/anticorruptionday [http://perma.cc/UGT5-9FXH]. Given the scale of wealth stolen by politicians and their allies, it is unlikely that political regimes will let offshore havens be extinguished. As global investment advisor Harry Schulz noted in the 1976 international investment newsletter titled the *Harry Schultz Letter*, crooks need honest bankers to ensure the safety of their assets, as well as places to

and economic spheres of influence. There is a risk that similar dynamics may arise in coming decades.

In the United States, former House Speaker Newt Gingrich has advocated for bilateral treaties to establish a network of new "Free Cities" around the world to spread American values and economic opportunities.[271] The new Free Cities would be backed by United States security assurances.[272] China is currently pursuing bilateral agreements to finance and co-develop its own network of SEZs. Questions have been raised about whether scores of proposed new Chinese zones in Pakistan will be open to firms and workers from other countries. "There is no provision to protect Pakistani interests, with Pakistani businessmen barred from investing in the SEZs," reports Gopalaswami Parahasarathy, India's former High Commissioner to Pakistan.[273] "There are no assurances that the Chinese would utilize Pakistani labour in any meaningful manner."[274] If the reports prove true, a number of Chinese-funded SEZs may be following the unfortunate model established by the original Hanseatic League's network of tax-free zones, which excluded or restricted foreign merchants, workers, and investors.

A New Hanseatic League could take steps to avoid capture by existing SEZ-promoting nation states (and/or by state-backed private developers), and instead encourage global civil society support for inclusive zones and startup communities. It can do so by encouraging volunteer guilds to engage with any extrastatecraft projects of their choosing—and reciprocally, for communities to freely invite any League-affiliated volunteer guilds they would like to engage. The only stipulation would be that League-affiliated projects assisted by volunteers must be peaceful in nature and non-transgressive with regard to the persons and property of others. A Freedompoints reward system offered to virtual and onsite volunteers also would be used only for extrastatecraft projects that were inclusive in nature—specifically, privately developed zones and communities that did not discriminate

---

which they and their families can comfortably retire or flee. Rulers of many nation states, and their cronies, can be expected to wield their power in nonpublic ways to protect safe havens.

271 Newt Gingrich & Ken Hagerty, *Free Cities*, AM. ENTER. INST. (Aug. 19, 2010), http://www.aei.org/publication/free-cities/ [http://perma.cc/J4U4-DYMY].

272 *Id.*

273 G. Parthasarathy, *Checkered into Debt and Bankruptcy*, HINDU BUS. LINE (Mar. 22, 2017), http://www.thehindubusinessline.com/opinion/columns/g-parthasarathy/checkered-into-debt-and-bankruptcy/article9596452.ece [http://perma.cc/2RFR-F76H].

274 *Id.*

against individuals based on creed, national background, or biological heritage.

Under such a system, volunteers from SEZ-sponsoring nations would be welcome to participate in helping current and proposed zones of extrastatecraft. This help could include applying extrastatecraft innovations originating from any part of the world—including from Singapore, Uruguay, China, Europe, Israel, Dubai, the United States or any other nations—in global projects of each individual's or guild's choosing. Frameworks such as ULEX, an interface for remixing legal provisions from multiple sources, would enable grassroots allies embarking upon extrastatecraft initiatives to assemble innovations as they deemed best.

A framework of this kind would make it hard for any nation to capture the New Hanseatic League's network for helping SEZs and startup communities. Yet it is important to also note that the self-chosen paths taken by extrastatecraft projects and virtual guilds may gravitate towards certain models. A particular set of Chinese innovations, for example, might inspire global virtual volunteers and local project initiators active in South America (or vice versa). As an open and self-organizing system, there is no way to know at the outset which models will emerge to become the most widely adopted and influential. Therefore, great powers and nations of any size have an opportunity to "win" as this open system evolves. But they can do so only via the soft power of volunteers, the facilitation of private capital flows, and the appeal of their legal and institutional examples—rather than through attempts to capture and assert control over an inherently decentralized system.

6. *Could a global network of SEZs and startup communities prompt a populist reaction?*

Another risk to a New Hanseatic League may come in the form of public reaction to moves by the ultra-wealthy to create self-governing enclaves as nation states decline. Thomas Frey, a well-known futurist, has predicted that the world's wealthiest individuals and their families may turn to establishing, within the Westphalian legal framework, well-defended nation states with fully-privatized functions.[275] This scenario easily could come to pass with the advent of a deep global financial crisis. As the crisis hits, billionaires and others might cement deals with rulers of

275 Thomas Frey, *Owning Your Own Country*, FUTURIST SPEAKER BLOG (Nov. 26, 2008), http://www.futuristspeaker.com/business-trends/owning-your-own-country/ [http://perma.cc/EPN3-TBMQ].

failing states to secure near or full sovereignty over a portion of existing national territories. To flourish financially, these areas of extrastatecraft in many cases could establish transparent legal systems and attract others seeking safe haven for their persons and their wealth.

Over the long term, such initiatives could have positive effects on global governance by promoting competition among polities—thereby increasing pressures on regimes to forego political rent-seeking in favor of land rent-funded systems of governance. Yet, in the short term, the effect likely would be to stoke popular anger towards the ultra-rich and their havens of extrastatecraft. Popular envy and resentment against them could spike as people in once-successful nation states experience wrenching fiscal strains, economic collapse, and widening unemployment. Demagogues could try to turn public hostility into support for mounting direct and indirect shakedown attempts against self-governing enclaves of the wealthy.

A New Hanseatic League and its virtual guilds might help such scenarios to boomerang. Via the Internet, the League could hollow out the support base of transgressive demagogues. They could do so by offering resources for communities to become more self-reliant as national leaders tried to consolidate power. They also could extend challenge offers to individuals and communities to explore early wins via extrastatecraft. The League's outreach especially could focus on finding local allies and exemplary sites for future Endowment Zones and on publicly challenging gatekeepers at all levels in a belligerent regime to end corrupt political rent-seeking practices in these areas. The offer to create areas of transparency could include offers of policies and tools and support systems to ensure rapid asset awakening in specific localities, with lease revenue shares flowing directly to struggling residents. Public opinion could pivot as the regime strove to explain refusals to accept such a challenge.

7. *What can a New Hanseatic League do about global environmental and other challenges?*

A Brazilian observer, Robert Muggah, has succinctly stated the overriding challenge facing nations today:

> Global commitments are urgently required to reverse global warming, curb the threat of pre-emptive nuclear attack, prevent pandemics and superbugs, and respond to population dislocation and the protracted wars giving rise to it. As the global mood sours, grudging half measures are all that nation states seem prepared to muster. Not surprisingly, the international institutions created to address these challenges—chief

> among them the United Nations Security Council—are paralysed to act. For their part, economically powerful cities are stepping up, but still lack the political power to take their place at the global decision-making table.[276]

A New Hanseatic League could make strides to fill this gap. A global network of contract-based communities can spread examples of innovations for radically reducing environmental impacts, such as Blue Frontiers Seasteading proposals in the Pacific, the America Free Zone in Costa Rica, and Songdo in Korea. Members of its virtual guilds can also help new areas of extrastatecraft pilot and spread exponential technologies for microfarming, relocalized manufacturing, solar microgrids, and virtual workspaces.

The League could help as well to bring Dominant Assurance Contracts to bear on what now appear to be intractable global problems. George Mason University economist Alex Tabarrok, a pioneer of early online crowdfunding solutions, has taken the concept of contingent pledges to a higher level. As he sees it, this level will be home to crowdfunding campaigns launched and sponsored by risk-taking entrepreneurs.[277] Enterprises with technologies to effectively and profitably tackle a global problem will post an offer to solve it once contingent funding pledges have reached a minimum target level. The corporate sponsor also posts a bond to guarantee that each person who pledges support in the crowdfunding campaign will receive a (small) direct payment if the campaign *fails* to reach the target needed to trigger actual release of the pledged and escrowed funds. This incentive gives everyone a direct financial incentive to join in pledging to support a solution that will benefit all. "In a dominant assurance contract if the group goal is not met then everyone who offered to contribute is given their money back *plus* a bonus," Tabarrok writes.[278] "It turns out that it then becomes a *dominant* strategy to contribute and the public good is always provided!"[279]

In the case of climate change, members of the League might opt to put Dominant Assurance Contracts into action. A technical,

---

276 Muggah, *supra* note 223.

277 *See* Alexander Tabarrok, *Assurance Contracts*, MARGINAL REVOLUTION (May 13, 2005, 7:10 AM), http://marginalrevolution.com/marginalrevolution/2005/05/assurance_contr.html [http://perma.cc/5ZXJ-W929].

278 *Id.*

279 *Id.* For a full-length introduction to the approach, see Alexander Tabarrok, *The Private Provision of Public Goods via Dominant Assurance Contracts*, 96 PUB. CHOICE 345 (1998), https://mason.gmu.edu/~atabarro/Private Provision.pdf [http://perma.cc/LS4J-LQX2].

cost-effective solution is within reach for global warning: private jets can be equipped to infuse the upper atmosphere with sulfate aerosols that could slow down or even reverse global warming. The aerosols would reflect back about one percent of the sunlight that now hits Earth. Effects would dissipate in a year as the sulfates broke down, requiring retreatments only for as long as needed for runaway warming to be abated.[280] This solution to climate change could be sparked by a bond posted by an Elon Musk or Richard Branson to incentivize crowdfunders across the planet to pledge contributions towards the funding threshold.

By linking global crowdfunding to the energies and capabilities of internationally-admired entrepreneurs, a New Hanseatic League could increase the ability of people around the world to resolve environmental, public health, and other challenges that long have been thought to be the responsibility of nation states and taxpayer-funded international organizations.

8. *What about security challenges?*

Accelerating technologies also have transformed global security challenges. They are shifting the balance in favor of what author John Robb has called "open source insurgencies."[281] Yuval Harari, an Israeli military historian, agrees. In a recent essay entitled "Why It's No Longer Possible for Any Country to Win a War," he observes:

> In 2017, global elites don't know what a successful war even looks like. They may have read about them in history books and seen fanciful recreations in Hollywood blockbusters, but they have good reason to suspect that this type of war has gone extinct . . . . In the past, if you defeated your enemy on the battlefield, you could easily cash in by looting enemy cities, selling enemy civilians in the slave markets and occupying valuable wheat fields and gold mines. Yet in the twenty-first century, only puny profits could be made that way. Today, the main economic assets consist of technical and institutional knowledge — and you cannot conquer knowledge through war. . . . Cyber warfare makes things even worse for would-be imperialists. . . . [I]f the U.S. now attacks a country possessing even moderate cyber warfare capabilities,

---

280 *See* David Rotman, *A Cheap and Easy Plan to Stop Global Warming*, MIT TECH. REV. (Feb. 8, 2013), https://www.technologyreview.com/s/511016/a-cheap-and-easy-plan-to-stop-global-warming/ [http://perma.cc/8S3G-VUHK].

281 *See* David de Ugarte, *John Robb, from the open-source insurgency to the "Direct Economy,"* LASINDIAS BLOG (Nov. 14, 2013), https://lasindias.blog/john-robb-from-the-open-source-insurgency-to-the-direct-economy [http://perma.cc/E7QE-BXL8].

> malware and logic bombs could stop air traffic in Dallas, cause trains to collide in Philadelphia and bring down the electric grid in Michigan.[282]

In the twenty-first century, a network of city states and SEZs may become a source of innovative, soft power-based defense strategies. A New Hanseatic League could make nonlethal approaches a cornerstone of its mutual self-help strategy, rather than turning to military solutions. A sample of this strategy is brilliantly portrayed by science fiction author Bruce Sterling in short story called "Maneki Neko," wherein unfortunate consequences cascade upon any person who uses or threatens violence—consequences that themselves never rise to the level of violence.[283] A New Hanseatic League, committed to a live-and-let-live ethos and capable of attracting world-class technical talent, could potentially respond in similar ways to a host of security risks.

Outward-reaching soft power initiatives might pay dividends as well. Virtual guilds aligned with the New Hanseatic League could quietly extend offers in radicalized areas to enable alternative paths. These might take the form of cryptocurrency-based microscholarships for people to build globally marketable skills, human capital investments to support their entry into online freelance markets, and the introduction of Blockchain based opportunities for the informal sector to bypass predatory rulers.

Over time, one of the most crucial contributions of a New Hanseatic League to world peace could come through the creation of a metasystem that enables a wide range of voluntary communities to flourish. At present, rampant politicization of life in many nations produces win-lose battles for power. By contrast, zones of extrastatecraft can encourage a variety of communities to emerge through nonpolitical means. Volunteers around the world can help their favorite kinds of actual communities succeed, without privileging some and subordinating others. Virtual guilds might be formed to assist a range of what have tended to be politically opposed types of communities, including: those based on open source models versus those based on intellectual property; those animated by communalist values versus those inspired by highly individualistic forms of capitalism; those building on Singapore-style incentivized public sectors versus those that are entrepreneurially-run for a full range of services; and those that

---

282 Yuval Noah Harari, *Why It's No Longer Possible for Any Country to Win a War*, TIME (June 23, 2017), http://time.com/4826856/russia-trump-north-korea-china-war/ [http://perma.cc/T95B-ZQ69].

283 *See* Bruce Sterling, *Maneki Neko*, LIGHTSPEED MAG. (Apr. 2011), http://www.lightspeedmagazine.com/fiction/maneki-neko [http://perma.cc/5V3T-YSKX].

are religiously cohesive versus those embracing heterogeneous faiths along with secular lifestyles. A New Hanseatic League could encourage within its network a full range of such peaceful soft power competitions, as long as all commit to transparency and to sharing experiences.

CONCLUSION

As nation states fall into dysfunctions, the world is entering what Michael Strong, a leading advocate of Special Economic Zones and Seasteading, has termed a "Cambrian explosion in government."[284] Increasing decentralization and experimentation is generating legal, political, institutional innovations of value to all communities seeking better systems of governance.

SEZs and startup communities can go well beyond the innovations and levels of prosperity they have created to date. In coming years, they can be catalysts for peaceful and asset-awakening reforms in systems of governance across the planet. A New Hanseatic League of free zones and startup cities, backed by an army of virtual volunteers from all countries committed to a future of peaceful and inclusive innovation, can spread economic opportunities and spark transformations in governance on a global scale.

A New Hanseatic League could be a conduit for fast-growing online communities—what Robert Muggah has termed "Net States"—to help zones of extrastatecraft fill the huge gaps left by the increasingly dysfunctional responses of national governments and international organizations.[285] Virtual teams working with a new generation of free areas can bring about creative, self-funding, and scalable solutions to most, if not all, of the deepest challenges facing humanity.

Volunteers and funders who help grassroots pilots succeed will be seeding transcultural trust and respect even as exponential technologies help free people from misrule. In doing so, the world may move closer to what the Japanese-American philosopher Yasuhiko Genku Kimura has termed an "omnicentric" era for

---

284 *See Michael Strong Talk: Free Zones and the Cambrian Explosion in Government*, LET A THOUSAND NATIONS BLOOM (Nov. 12, 2009), http://athousandnations.com/2009/11/12/michael-strong-talk-free-zones-and-the-cambrian-explosion-in-government/ [http://perma.cc/C9CA-9LKT].

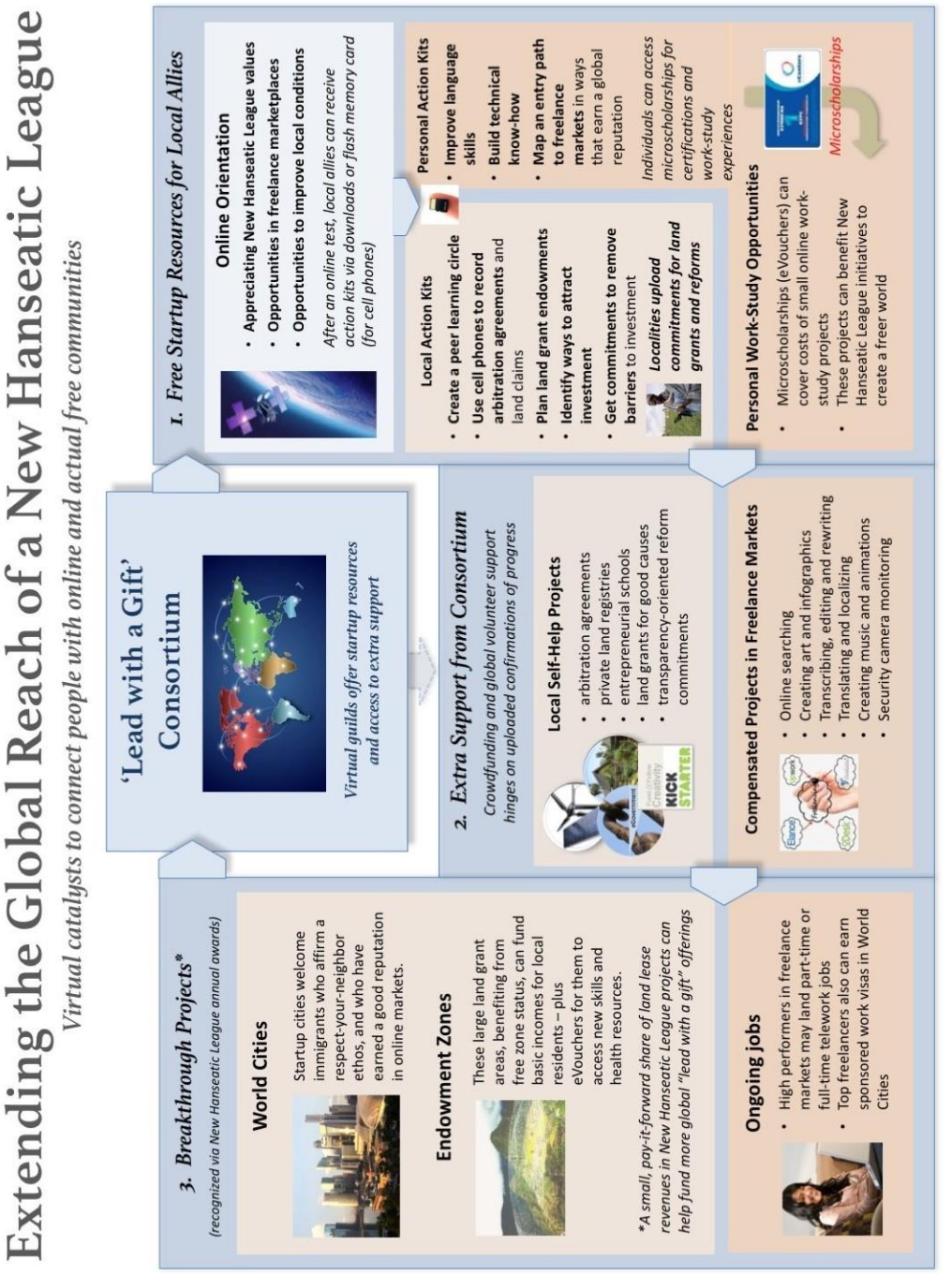
285 *See* Muggah, *supra* note 223.

human civilization, one based on a deep respect for the sovereignty of all individuals and their rights to consent-based governance.[286]

A New Hanseatic League can be a springboard for initiatives that have been held back by political rent-seeking. Today, new systems of trustworthy law can spread out far faster and more widely than did Lübeck Law eight centuries ago. Although methods of communication have transformed since then, the value of peer-to-peer relationships that sustained the original Hanseatic guilds and cities remains an enduring legacy. Depoliticized relationships of trust enabled the first League to thrive for centuries in an era also filled with hazards. Today, we have new tools to build more lasting trust networks among free peoples in a New Hanseatic League that offers onramps to all on our planet.

286 *Yasuhiko Genku Kimura Interview / What is the Omnicentric Mind*, YOUTUBE (Aug. 25, 2011), https://www.youtube.com/watch?v=RdKLIeRdJsI.

APPENDIX


Extending the Global Reach of a New Hanseatic League
Virtual catalysts to connect people with online and actual free communities
1. Free Startup Resources for Local Allies
Online Orientation
• Appreciating New Hanseatic League values
• Opportunities in freelance marketplaces
• Opportunities to improve local conditions
After an online test, local allies can receive action kits via downloads or flash memory card (for cell phones)
Local Action Kits
• Create a peer learning circle
• Use cell phones to record arbitration agreements and land claims
• Plan land grant endowments
• Identify ways to attract investment
• Get commitments to remove barriers to investment
Localities upload commitments for land grants and reforms
Personal Action Kits
• Improve language skills
• Build technical know-how
• Map an entry path to freelance markets in ways that earn a global reputation
Individuals can access microscholarships for certifications and work-study experiences
Personal Work-Study Opportunities
• Microscholarships (eVouchers) can cover costs of small online work-study projects
• These projects can benefit New Hanseatic League initiatives to create a freer world
Microscholarships
'Lead with a Gift' Consortium
Virtual guilds offer startup resources and access to extra support
2. Extra Support from Consortium
Crowdfunding and global volunteer support hinges on uploaded confirmations of progress
Local Self-Help Projects
• arbitration agreements
• private land registries
• entrepreneurial schools
• land grants for good causes
• transparency-oriented reform commitments
KICK STARTER
Compensated Projects in Freelance Markets
• Online searching
• Creating art and infographics
• Transcribing, editing and rewriting
• Translating and localizing
• Creating music and animations
• Security camera monitoring
3. Breakthrough Projects*
(recognized via New Hanseatic League annual awards)
World Cities
Startup cities welcome immigrants who affirm a respect-your-neighbor ethos, and who have earned a good reputation in online markets.
Endowment Zones
These large land grant areas, benefiting from free zone status, can fund basic incomes for local residents – plus eVouchers for them to access new skills and health resources.
*A small, pay-it-forward share of land lease revenues in New Hanseatic League projects can help fund more global "lead with a gift" offerings
Ongoing jobs
• High performers in freelance markets may land part-time or full-time telework jobs
• Top freelancers also can earn sponsored work visas in World Cities