

Thumbnail Image:



Mar 07, 2022 by [Corneliu Bjola](#)

Public Diplomacy and the Next Digital Disruption: Non-Fungible Tokens (NFTs) ^[1]

NFTs, or non-fungible tokens, were the ‘buzz word’ of 2021. By the end of the year, the market for digital artwork and collectibles reached nearly \$41 billion, almost as valuable as the traditional (physical) global art market. In essence, NFTs represent digital certificates of ownership of images, video clips, songs or even event tickets, which are bought and traded using cryptocurrency, mainly Ethereum. They are called “non-fungible” because they have unique properties (no two NFTs are the same), and no one can modify the record of ownership or copy/paste a new NFT into existence because of the blockchain technology on which they are built. NFTs are traded on designated platforms using digital entries generated on a public ledger, hence the idea of ‘tokens.’

These platforms leverage blockchain technology via smart contracts to verify the provenance of digital content in a similar way to how a traditional auction house verifies the authenticity of a given work of art. It is estimated that around 250,000 people trade NFTs each month on

OpenSea, the largest NFT marketplace, but Coinbase, which has 2 million users on the waiting list, and Robinhood have announced plans to open their own NFT marketplaces as well. Interest in trading NFTs has been driven by two main reasons thus far: status purchases, especially for those with large pockets, but also financial speculation by regular users with the hope they might be able to replicate the success of the recent class of Bitcoin or Dogecoin millionaires, despite the inherent risks these ambitions may entail.

That being said, the use of tokens is expected to expand in other areas, including events and ticketing, e-commerce in the metaverse, the creation of self-sovereign identities, and even possibly the validation of educational and professional credentials. Interestingly, NFTs have also captured the attention of governments. San Marino, a small country in southern Europe, has approved, for instance, the use of NFTs to issue digital COVID vaccine passports, as the blockchain technology that NFTs rely on (VeChain in this case) reduces the risk of counterfeiting. The initiative also allowed San Marino to play up its tech credentials, from a public diplomacy perspective, as it currently seeks to position itself as a global blockchain technology industry hub.

The European Union's Task Force Blockchain & DLTs (distributed ledger technologies) has also taken notice of the rise of NFTs, especially in relation to their impact on patents and intellectual property rights and their potential to facilitate revenue generation and financial opportunities for business. On the negative side, NFTs have attracted attention for their occasional association with illegal activities such as ransomware and money laundering. The U.S. Treasury Department has recently sanctioned the Latvian-based cryptocurrency exchange Chatex for its involvement in "illicit or high-risk activities such as darknet markets, high-risk exchanges and ransomware," which led to 42 NFTs being frozen on the OpenSea marketplace due to their association with a sanctioned cryptocurrency address.

Unlike commercial brands, diplomatic brands will be less interested in generating revenue but more in stimulating engagement, including via dynamic features and the use of new diplomatic venues in the metaverse, with new audiences.

From a public diplomacy perspective, there are at least three areas in which NFTs have good potential to make a difference.

Cultural diplomacy is the most obvious one, given the dominant preference of NFT enthusiasts for digital art. The purpose in this case is not to encourage Ministries of Foreign Affairs (MFAs), embassies or cultural institutes to start trading NFTs on various platforms, an endeavor for which these institutions have little technical, financial or legal expertise. The goal would instead be to design and implement projects that would enable the interested public to interact in a digital manner via NFTs with the diverse collection of cultural artifacts these institutions possess (historical documents and photos, official letters, paintings, social media posts, etc.). The Crypto Connections project created by the Museum of Liverpool in 2018 offers a novel idea of how cultural connections could be facilitated and nurtured with the public via NFTs. The museum encouraged participants to pair a personal possession with an object

or artwork from the museum collection. Images from the exhibition were then transformed into NFTs, which would be made available both in the new owner's digital wallet as well as in a decentralized gallery of the museum called "The Possession Gallery." The idea could work for MFAs, cultural institutes and embassies as well and help create publicly visible yet personal connections between these institutions and the members of the public via NFTs. These connections may stimulate additional conversations on social media and plant the seeds for further NFT-inspired collaborations.

Second, NFTs could also play an important role in educational exchanges. The Games for Change's (G4C) virtual exchange program launched by the U.S. State Department in April 2021 provides a good template for such projects. The G4C program responds to the exponential growth of video gaming audiences and seeks to engage 2,700 students in the U.S., Israel, United Arab Emirates and Bahrain over two years in a virtual student exchange program focused on the development and creation of social impact video games. The idea could be easily expanded to include knowledge creation and distribution of NFTs, especially in relation to games. One particular issue of growing interest is the creation of digital identities that can help users move freely between different gaming ecosystems. Due to their blockchain anchoring, NFT-secured identities are deemed to be more protected than identities in everyday life and can help individuals move freely not only between different virtual worlds, but also, at some point, between physical and virtual domains.

A third area of interest for public diplomacy could revolve around the use of NFTs for building digital brands pertaining to diplomatic relations, partnerships or even to specific policies. The idea in this case is not to concentrate on individual NFTs but on developing NFT collections focused on specific themes and perspectives. Several large commercial brands have already been using NFT collections for this purpose, and their digital forays could inspire similar branding efforts in the diplomatic field as well. To honor International Friendship Day, Coca-Cola has recently auctioned, for instance, a collection of four multi-sensory, friendship-inspired NFTs on the OpenSea platform and used the proceeds to support Special Olympics International. Diplomatic NFT collections could play a similar role: to commemorate and highlight the strength of diplomatic relations between two countries, the enduring value of various partnerships and the broader significance of certain policies (climate change, peace and security, human rights, etc.). Unlike commercial brands, diplomatic brands will be less interested in generating revenue but more in stimulating engagement, including via dynamic features and the use of new diplomatic venues in the metaverse, with new audiences (e.g., the fast-growing crypto and virtual communities) that are more difficult to reach otherwise.

To conclude, NFTs represent a fascinating new digital medium that promises to disrupt the way in which digital artifacts are generated and integrated in the cultural and social landscape. While NFTs' potential for public diplomacy remains inchoate, a few areas such as cultural diplomacy, education exchange and diplomatic branding could present MFAs, embassies and cultural institutes with novel opportunities for digital engagement.
