

followed World War II, Western Europe, Japan and Korea relied on licencing technologies from USA for their growth. This was another successful period of catch-up growth favouring concentration and planning. More extreme examples of the two tendencies in the post-war era are provided by the Soviet Union and China. As was the case with his analysis of the US, Frey also follows the ebb and flow of centralization in the two countries (including decentralization efforts like the Sovnarkhoz system and the special economic zones). Modern China is a particularly important case as it stands on the threshold between catch-up growth (favouring centralization) and a massive and continued innovation growth spurt (favouring decentralization). Frey suggests that the current political concentration is consistent with the historical ways in which progress may come to an end. According to this view, China would enter another stagnant period – like the one of the Ming and Qing dynasties. However, China has also reached an extremely advanced AI-driven stage of development enabling a level of control and surveillance hitherto undreamed of. The future is unpredictable, but we may be reaching a technological threshold in which the bucking of a long-running pattern may be possible.

The value of Frey's book is in its use of economic history to successfully argue the existence of a symbiotic relationship between institutions and innovation. The former are very broadly understood political-economic institutions (centralization/decentralization tendencies), while the latter is a crucial part of development and growth. Frey shies from presenting this in clear cyclical terms, but his argument hinges on the ability of institutions to

adapt to the cyclically changing demands of the phase of technological development – in turn requiring bureaucratic top-down control and decentralization. His book therefore fits well not only with institutional literature, but also with literature on the systemic cycle and new economic geography. It can and should be read broadly in the context of social sciences. Frey's style is clear and concise, his message is clear, and his topic urgent. The book is meticulously researched and masterfully presented. It is one of the most important books on development published this year.

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#### Book Review

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Viktorija Car, Marta Zorko  
(editors)  
**The Digital Environment  
and Small States in Europe.  
Challenges, Threats, and  
Opportunities**

Routledge, London and New York, 2026, 242 pp.

The book *The Digital Environment and Small States in Europe: Challenges, Threats and Opportunities*, edited by Viktorija Car and Marta Zorko, provides a comprehensive overview of the relation-

ship between the digital environment and small states in Europe. The introductory chapter, written by the editors, establishes the theoretical framework of the book and raises key questions about the position of small states in the digital age. The authors emphasize that digitalization and virtualization are changing traditional understandings of territory, power and geopolitics, opening both new opportunities and risks. Special emphasis is placed on cyberpower and digital diplomacy, through which small states can compensate for the shortcomings of classic military or economic strength. Thanks to agility, specialization and strategic partnerships, small states have the opportunity to position themselves as innovation hubs, diplomatic mediators and advocates of digital rights. At the same time, they are vulnerable due to their limited resources, dependence on larger technological players and exposure to cyberthreats. The introduction further warns of the problem of the digital divide and audience fragmentation, which increases the risks of manipulation and polarisation, especially in crisis situations such as the COVID-19 pandemic. The introductory part therefore sets a conceptual framework that connects geopolitical insights with cybersecurity, communication processes and digital diplomacy, creating the foundations for subsequent theoretical and empirical analyses.

The book is divided into two parts. The first part is entitled *Theoretical Concepts* and comprises three chapters that address conceptual and theoretical frameworks.

The chapter "Cybersecurity: Basic Concepts, Contemporary Security Challenges and Digital Technology" (by Ružica Jakešević and Robert Mikac) provides a

systematic overview of the definitions of cyberspace and security, emphasizing the complexity of their interpretation and evolution across different disciplines. The authors particularly highlight the threats of hybrid and state-sponsored cyberattacks and the importance of international and European frameworks for building the resilience of small states in the digital environment.

The next chapter, "Digital Information and Communication Environment" (by Viktorija Car, Hrvoje Jakopović, and Christopher Nehring), deals in more detail with the impact of digital media, algorithms and artificial intelligence on contemporary communication processes and the perception of states. Of particular note is the phenomenon of virtual influencers and AI-generated content that can spread misinformation but also create a new type of digital propaganda. In this context, the authors show how message personalization, filter bubbles and the metaverse open up space for sophisticated forms of manipulation of public opinion, which makes small states particularly vulnerable. At the same time, the possibilities and ways in which the digital environment can serve as a platform for the promotion of the state image and the development of digital diplomacy, provided that this is approached strategically, are also analyzed.

Thirdly, the chapter entitled "Small States and Digitalization: Building a Theoretical Framework for Digital Diplomacy" (by Đana Luša and Boško Picula) thematizes the traditional weaknesses of small states, limited resources, small population, vulnerability and dependence on larger actors, and shows how digital diplomacy can turn these shortcomings into advan-

tages. Special emphasis is placed on the conceptualization of digital diplomacy as an instrument of soft power, through which small countries can increase their visibility, shape their image and promote their own political and social values in a global environment. Using examples from the EU and the COVID-19 pandemic, the authors illustrate how digital tools enable faster, more inclusive and more participatory shaping of international policies, thus opening new channels of communication through which small states can enhance visibility and influence.

The second part of the book is entitled *Small States and Digital Environment Challenges*, and it comprises six chapters. The focus is on analyses of the concrete challenges that small states face in the digital environment, with particular emphasis on security, political, and communication aspects.

The chapter “European Security Space(s): Defining and Protecting Cyberspace in European Small States” (by Marta Zorko and Ivana Cesarec) addresses the question of how small European states define and protect their cyberspace. This chapter analyzes the position and power dynamics of small European states in the context of cybersecurity and the broader concept of the European security space. It takes the Geopolitical Power Index (GPI) as a starting point, but builds upon it by introducing the concepts of cyberpower, digital diplomacy, and security, questioning whether these can compensate for or enhance traditional dimensions of power. Through a comparative analysis of national cybersecurity strategies in various small states, from the Baltic to the Balkan and Mediterranean regions, the chapter de-

monstrates that, despite formal alignment with EU directives, small states often lack harmonized and clearly defined notions of cyberspace and security. Ultimately, the authors emphasize that cyberpower, if taken seriously, can compensate for the territorial and geopolitical vulnerability of small states and enable them to assume a greater role in international relations.

The following chapter, “The Smaller the State, the Bigger the Challenge: Estonia as a Digital State” (by Jaanika Puusalu), examines how a small state can harness digitalization to overcome geopolitical and security limitations and achieve international recognition as a “digital state”. Estonia is presented as an example that illustrates both the advantages and the challenges of digital transformation. On the one hand, it highlights the development of e-services, cyberdiplomacy, and international reputation; on the other, it points to vulnerability to cyberthreats, the spread of disinformation, and the growing challenges to social cohesion. The author emphasizes that digitalization can provide small states with global influence, but at the same time it creates space for new threats and pressures that they can hardly fully neutralize due to limited resources.

In the chapter “Surveillance, De-democratization and the Digital States of Exception: Cyprus, a Small State Surveillance-Post” (by Michaelangelo Anastasiou and Nicos Trimikliniotis), the case of Cyprus is analyzed, focusing on the problem of surveillance and the erosion of democratic processes in the digital context. The authors emphasize how Cyprus’s security policies intertwine with its geopolitical position, economic constraints, and historical circumstances, while simultane-

ously undergoing a process of “de-democratization” through expansion of digital surveillance. Particular attention is given to Cyprus’s role in the global surveillance technology industry, demonstrating how small actors can exert a disproportionately large influence at the international level. Cyprus is thus described as an example of a small state in which digital technologies, rather than strengthening democracy, may serve as instruments of control.

The chapter “Hyperlocal and the Nation State – Malta’s Complicated Media Ecosystem” (by Alex Grech and Martin G. Debattista) is dedicated to the specificities of the Maltese media system. The authors describe how local, national, and international information dynamics intersect in Malta, creating a complex communicative space in which digital media play a crucial but often problematic role. The role of political parties remains dominant; however, digital media, blogs, and social networks open up space for alternative voices and civic oversight, albeit with the risk of fragmentation, disinformation, and surveillance. Particularly noteworthy is the section in which “the media problem” in Malta is conceptually framed through the hyperlocal media ecosystem, which reflects the tensions between hegemony and participation, continuity and change, political control and digital openness.

The chapter “Icelandic Environmental Security Communication Strategies” (by Hrvoje Jakopović, Lidija Kos-Stanišić, and Dino Dula) examines Iceland’s approach to communicating security issues related to the environment, and highlights how Iceland, as a small state, employs specific communication strategies to enhance its resilience to threats arising from

climate change and other environmental challenges, with digital tools playing an important mediating role. Special emphasis is placed on institutional cooperation (the Ministry of the Environment, the Environmental Agency, the Forestry Service, and the Soil Conservation Service), which inform citizens and the international public through official websites about key challenges such as soil erosion, climate change, volcanic activity, and air pollution. The authors conclude that Iceland has been successful in constructing the image of a “small state with great power” in digital and environmental discourse, although there is still room for stronger policy implementation and greater transparency.

The final chapter of the second part, “Hybrid Threats as Challenges for the Protection of Critical Information Infrastructure in Cyberspace: A Comparative Analysis of Croatia and Estonia” (by Robert Mikac, Ivana Cesarec, and Vladimir Sazonov), offers a comparative analysis of two small states, Croatia and Estonia, focusing on the protection of critical information infrastructure. Both Croatia and Estonia face similar challenges in safeguarding critical information infrastructure, particularly in the context of hybrid threats such as cyberattacks, disinformation campaigns, and economic pressures. The two states also recognize the importance of EU and NATO membership in strengthening cybersecurity and are developing national strategies to mitigate risks. While Estonia represents an example of advanced digital development, Croatia is depicted as a state in the process of adaptation, thereby providing insight into different levels of preparedness among small states confronted with hybrid threats.

The structure of the book is based on the synergy of two complementary parts: the theoretical and the analytical-empirical. This approach enables a comprehensive insight into the different ways in which small states respond to the challenges of the digital age. The book demonstrates that, for small states in Europe, the digital environment represents a complex and multilayered space in which threats and opportunities constantly overlap, while responses are

shaped through the dynamic interplay of national capacities, European policies, and global trends. Its value lies in opening a discussion on how small states can shape their own future within the digital environment. *The Digital Environment and Small States in Europe: Challenges, Threats and Opportunities* thus stands as an important and innovative contribution to the study of the relationship between digitalization, security, and democracy in contemporary Europe.

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