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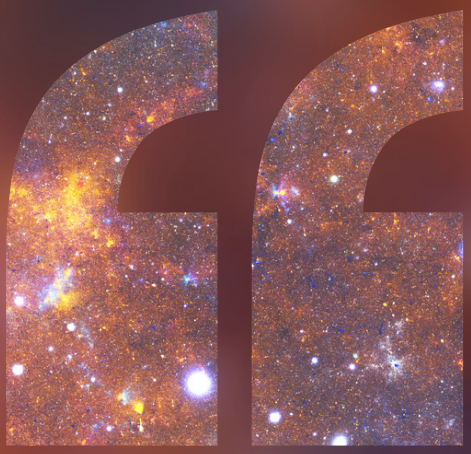
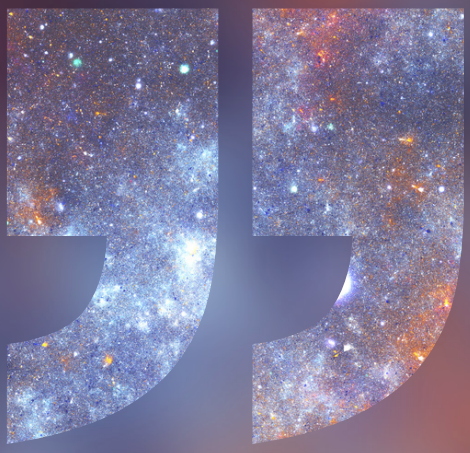


VIEW FROM DAVOS: TECHNOLOGY WILL IT UNITE OR DIVIDE US?



— THOUGHT LEADERSHIP

JANUARY 2018

VIEW FROM DAVOS:
WILL TECHNOLOGY UNITE OR DIVIDE US?

Technology was one of the dominant themes at the World Economic Forum in Davos. This year will see huge strides forward in artificial intelligence, more instances of state and non-state hacking and it will be the moment when people begin to grasp the potential of blockchain. In this extract from a debate we hosted in Davos, Gillian Tett, the Financial Times' markets and finance columnist and US Managing Editor and Radek Sikorski, the former Defence and Foreign Minister of Poland, discuss how tech will develop in 2018 and how governments, companies and other players will deal with it.

Why is everyone so unhappy?

Gillian Tett, opening the discussion, said that Davos was a strange mix of optimism and uncertainty. "On the one hand, just about every CEO or business leader I've spoken to has said that the economy looks pretty fabulous. The International Monetary Fund is forecasting increased growth and asset prices keep rising. While there is some underlying anxiety from people who lived through the 2007/8 crash about whether it's too good to be true – the American Economist Ken Rogoff, for example, said that he hadn't seen such complacency since 2006 – but for the most part there's a tremendous sense of economic optimism out there."

She observed: "You would think that would make people really happy, but when you start digging down to what's happening outside the world of economics it's anything but. In the US, amongst the informed public, trust in government, NGOs, the media and business, is now lower than it is in China. US trust in the media is lower than it is in Russia. If you look at the proportion of the vote captured by populist anti-establishment candidates around the western world, it went up from about 7 per cent in 2010 to about 35 per cent in 2017."

Tett said that some of this unhappiness is based on "income inequality, the hangover from the financial crisis and people worrying about their future." It is also increasingly clear that technology is becoming very divisive and very challenging for democracy. "On one level, it's enabling people to fragment into cyber-tribes and become more polarised," she said.

The internet is adding to the sense of loss of trust in authority and institutions. "The internet makes people feel that they have a voice – they can talk to each other to get advice, rather than institutional elites. People can coalesce quickly and challenge authority," she said.

The internet is also creating customisation in all sorts of areas from music to food and clothing. "You name it, we customise it," said Tett. "Naturally, people are starting to customise politics. They are coalescing around shiny brands, single issue ideas, things like nationalism, like #MeToo, and individual people like President Macron. President Trump, better than

anyone, has tapped into this new technological change and what it means for communication and politics, and that is why he has become so popular, powerful and effective in America."

Digital dictatorships

Referring to a prediction by the historian and best-selling author of 'Sapiens: A Brief History of Humankind,' Noah Yuval Harari, that "in a few decades, the natural outcome of what we're living through right now, in terms of the ability of people to collect data about others and get biometric data will lead naturally to digital dictatorships because people will control that data," Tett observed: "The technological innovations that are being unleashed are extraordinary, breath-taking exciting, but also terrifying."

She closed with a question – "If people are this unhappy when the economy is good, what on earth is going to happen when there is a downturn?"

The internet – no longer an open system

Radek Sikorsi picked up on some of Tett's themes, sharing his experience of 14 years serving in five Polish governments. He observed that some of our pre-conceptions about the internet come from its origins. It started as a DARPA [Defense Advanced Research Projects Agency] program between US government institutions that trusted one-another. "That's why it developed as an open system. It is no longer an open system," he said. "We now have the western internet, the Russian internet, the Iranian internet and we have the Chinese internet – they are not necessarily connected any more. And we now also know that dictatorships have found ways to use our technology to their advantage."

Sikorski spoke about how he was "involved in supporting democracy in Belarus." He said that "the regime has forced telecom companies to give the telephone numbers of all the citizens who gathered in a public square during an anti-government demo – a perfect illustration of how you can use technology against people."

He noted that the internet has brought huge advantages to our lives, but there are also downsides and it needs to be regulated. "The Highway Code was passed about 25 years after the invention of the car. This is the point we are at with the internet."

The key question for Sikorski was, "who owns the data, how is it manipulated and what solutions can Europe find?"

Thomas Vinje, Clifford Chance's head of antitrust, who has worked on some of the most challenging anti-trust cases in recent years, asked if the "concentration of power in the hands of two companies in the online advertising world – Facebook and Google – is harmful; socially, culturally and politically." Google and Facebook receive 71 per cent of US digital advertising spend and Google controls almost 50 per cent of global digital advertising. "Google has what I would regard as impregnable market shares in several really crucial markets – search, display advertising and mobile operating systems," Vinje said, and he added: "This is hollowing out the publishing industry. The money is all going to Google and Facebook, which means there is no money left for good journalism. That is a fundamental threat to democracy."

China, democracy and social media

Tett observed that whilst China lacks a democratic mechanism to express public will, social media

plays an interesting, and in many ways analogous role. She said: "The Chinese government is not just using social media to monitor people very closely, it's also using it as a weather vane to gather information about public sentiment to enable the Chinese government to make sure it is always one millimetre ahead of where public sentiment is going and creating enough safety valves to prevent an explosion." She added: "The Chinese government is constantly changing its policy, be that on cleaning the air in Beijing, dealing with some of the scandals around food or clamping down on corruption – you can't say that the Chinese government is ignoring what people want in China. It may not be democracy in the western sense, but it is staying one step ahead of what people are arguing about."

Getting governments up to speed

Sikorski's time in government was eventful – he was Foreign Minister, Defence Minister and speaker of the Polish Parliament. He observed that "governments are usually ten years behind the curve in applying modern technology. The reason is that bureaucracies are conservative. Systemic change usually takes half a decade but if you look at the NATO countries, the life span of a minister in government is about 18 months."

He added that when he joined the foreign ministry in 2007, email was considered exotic and staff in Polish embassies didn't understand the security risks. "The only thing that worked was to send diplomats an email with a photo of themselves working at their console taken by their computer. Finally they understood that their computer at home or at work was a spy."

Sikorski noted that the hacking and exploitation of emails that took place during the US election first happened in the Ukraine and Poland. "What's really sinister is that to destabilise a government you don't need to publicise or find wrongdoing – all you need to do is to focus on the fact that people communicate differently in private to how they do in public. Every private conversation looks worse when put in a newspaper," he said. "In Poland hackers took a few phrases of 300 hours of conversation among 100 senior people and the tone was very different from the kind of tone we adopt in our professional conversations. That's enough, and it is sinister and dangerous."

Distributed trust

Tett spoke about the evolution of trust, and how it applies not just to the internet, but to politics as well. She said that she began her career as an anthropologist, and that anthropologists used to say that there were two types of ways to get social trust. "One way is to have small face-to-face communities where everyone knows everyone else. That has historically been the basis on which society operated. That is horizontal trust. When societies get big, you create institutions and you create vertical trust, where people are trusting elites, authority figures and people above them. The internet has created a third type of trust, what anthropologists call distributed trust. If you want to book a hotel, you look at Expedia ratings, or look at crowd-sourced opinions. This allows us to have horizontal distributed trust on a massive scale."

She said that it is interesting how from a political perspective you create a model to cope with that. "We have been trained as consumers to customise everything. Why should we expect voters to accept

pre-packaged political parties based on hierarchies and vertical trust when in every other area of their lives they are not living like that?" Tett noted that "these days if you end up with a great leader you end up with a brand. Take President Macron. In this pick-and-mix world, he didn't take any pre-packaged party, he created his own party. That is the ultimate pick-and-mix politics."

It's the verb stupid

Tett also spoke about the language of campaigns. She said that "if you're looking for a brand to work in politics today, you need to find a verb." She said that when she attended the US Republican convention, you knew exactly what the slogan was: "*Make America Great Again*." Empowerment, verb, action. At the Democratic convention the slogans were "*I'm with Her*" and "*Stronger Together*." Both are very static – there's no verb. "Think about Brexit," Tett said. "The leave campaign had "*Take Back Control*," the remainers had *"Stronger In"* – static. Theresa May didn't seem to learn that lesson and used *"Strong and Stable"* for her election campaign. No verb. Macron's genius pick-and-mix politics move was to name his party *En Marche* – let's move – a verb."

AID: Tech – a good news story

One of the good tech news stories at Davos was a programme called the "Tech 4 Integrity Challenge." The project, started by Citi, is designed to find and help tech start-ups that can meet the challenge of corruption. Clifford Chance was involved and has been working with one of the winners of the competition, AID:Tech, providing legal advice and navigating some of the complexities of working in developing countries.

Joseph Thomson, the CEO of AID:Tech explained during the debate that his company links blockchain technology to the biometrically secured identity of an individual to transfer funds to refugees and other vulnerable populations. He said: "We use our technology to guarantee where the money goes. We worked with the Red Cross to distribute 500 cards to Syrian refugees. Each card was linked to the identity of a person and each had $20 to spend. In the first two hours we had 45 attempts to defraud the platform. The technology allowed us to trace where the transaction went without revealing the identity of the beneficiary. There was no successful fraud. We distributed $10,000 of international aid for the first time using blockchain."

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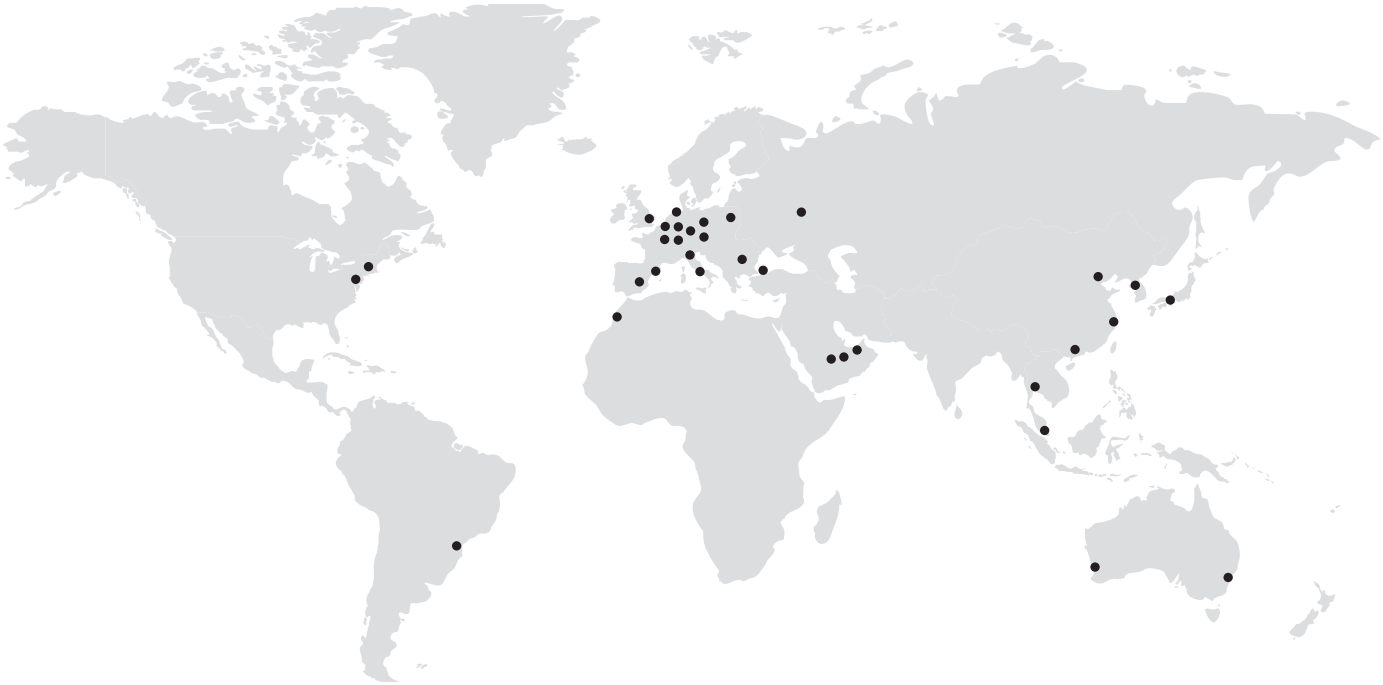

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