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**CHINA, TECH AND
THE NEED FOR
GLOBAL STANDARDS**



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CHINA, TECH AND THE NEED FOR GLOBAL STANDARDS

Protectionism and a looming tech war between China and the West may dominate current headlines, but there is an urgent need to work together to develop global frameworks around innovation and the safety of technology, Jeroen Ouwehand, Global Senior Partner, said at a conference on China's economic future hosted by Chatham House. In this extract from his speech, Ouwehand discusses digital borders, data flows and ethics and artificial intelligence.

Tech safety and innovation

Recent news about a looming tech war and the rise of protectionism suggests that China and the West want different things. Naturally, there are geopolitical interests, different systems, different socio-economic norms and cultures and, in many countries, we are seeing a push back against globalization. But when it comes to the development of technologies, such as artificial intelligence (AI), machine learning and robotics, I would like to think we all believe in humanity.

None of us wants to lose control to technology, whether that is in the extreme – in warfare – or speaking as a lawyer, in how judicial decisions are reached. Decision-making by algorithms or machines, without human intervention or human ability to control, are societal issues that we cannot afford to be nationalistic about and there is a growing concern regarding the dangers posed by uncontrolled technology and data use.

We are at a pivotal moment in history – 2019 has been the year when ethics and technology have become a concern for governments, regulators, board rooms, schools and communities.

At a commercial level, how technology works and how data is used are matters of consumer trust. Consumers really care about these issues, regardless of whether products or services come from Silicon Valley or China.

According to a 2018 McKinsey report, in 81 technologies across 11 industries, China uses global standards for more than 90% of them, so there is huge integration in technology value chains.

When we speak to clients in China, the first thing they want to talk about is privacy, product design, security and so on, and they are investing a lot of money in this.

Global businesses are increasingly making bold statements about doing the right thing in relation to technology and the use of data. Recently, Tim Cook CEO of Apple, commented that a wholesale review of how countries and regulators approach technology is needed, saying that: "Those of us who believe in technology's potential for good must not shrink from this moment." In China, Seng Yee Lau, Tencent's senior vice-president and chairman of global group markets, summed up the tech company's vision on ethics with the slogan "tech for good." I think this is a positive conversation and I will return to it when talking about AI.

Data: digital borders and protectionism and data havens

Global data flows now generate more value than global trade in goods. According to a 2018 McKinsey report, data flows increased 148-fold between 2005 and 2017. China creates huge volumes of data and its cross-border data flows in 2017 reached a volume of 2,441 gigabits per second, which is still relatively small, given the size of its economy, but is growing rapidly.

Yet, as cross-border data flows increase, we also see an increase in the number of data localisation laws – that is, laws that require data to be held in the country where it is generated or produced and to restrict outside transfer. By 2015, over 50 countries had adopted data localisation laws.

China has been at the forefront of this trend. Apart from the social and political drivers, there is, at some level, an economic benefit in holding data locally, because this requires local infrastructure and local platforms and leads to a need to build national technology infrastructures and increase IT investment, rather than simply outsourcing.

But it is very hard to have a discussion data sharing and data use if data is held in one region. If governments and regulators try to fragment the global use of data, it becomes very difficult for businesses and very expensive; there is a clear negative economic impact and a stifling of innovation. How data is used, stored, transferred, processed and protected is central to how businesses across sectors generate value and stay competitive.

We have also seen the creation of free trade zones for data – so-called data havens. The European Union being a prime example. The EU believes that the free flow of non-personal data is key to unleashing data economy benefits; and new regulation, introduced in May this year, should facilitate engagement with new technologies, such as cloud services.

Singapore is another example – by adopting policies favourable to data sharing, Singapore is viewed as an attractive data storage hub for companies with large data assets. For example, Facebook has recently decided to build a US\$1 billion data centre in Singapore as a hub for the Asia-Pacific region.

Ethics and AI

AI is an area where we see global principles (including from China) arising. AI is a much-used term without a precise definition. I use the definition coined by UK expert Jacob Turner, that “AI is the ability of a non-natural entity to make choices without human intervention by an evaluative process.”

When we speak to clients about technological innovation, AI is often at the top of their list. What we are seeing globally is a growing debate around AI and ethics, whereby ethics are being used as a form of soft regulation to plug regulatory gaps as organisations grapple with the question of which laws apply to emerging technologies.

The ethics of AI deal with issues such as the need to have human control and oversight. Put simply: “if it goes wrong, you should be able to switch it off.” The ethics of AI are also

about transparency and understanding and being able to explain the technology. In addition, ethics are about avoiding biases. As the House of Lords in the UK has stated: “The prejudices of the past must not unwittingly be built into automated systems.”

And this is often what happens. Let me give you an example – algorithms often result in your gender or race determining which advertisements you see on an online platform. In part, that may be fine; for example, if the advert is for women’s shoes. But a team from Northeastern University in the US recently carried out an experiment with ads on Facebook and found that for job ads for lumberjacks, 75% went to white males, job ads for taxi-drivers, 75% went to black males and for supermarket cashier jobs, 85% of the ads went to females. For ads for home sales, 75% went to white people, whereas for units for rent the ads were more balanced. And so on.

There are now many statements of intent on ethics and AI including from the OECD – echoed by the G20 – and from the Beijing Academy of Artificial Intelligence (BAAI), which is important as China has one of the biggest AI industries in the world and has ambitions for the industry to be worth around US\$56 billion by 2030.

The BAAI principles were developed in collaboration with the most prominent and important technical organisations and tech companies working on AI in China, including Peking University, Tsinghua University, the Institute of Automation and Institute of Computing Technology within the Chinese Academy of Sciences, and the country’s big three tech firms: Baidu, Alibaba and Tencent.

The principles are similar to the EU framework and are based around human-centered R&D and the responsibility for AI researchers and developers to consider ethical, legal and societal impacts, human control and transparency.

It’s the same vision – we care about doing the right thing and that is underlined by at least the ‘soft’ regulatory framework of every single region, including China. This signals a willingness to discuss these issues within Chinese policy circles and as Zeng Yi, director of the BAAI has stated: “The Beijing Principles reflect our position, vision, and our willingness to create a dialogue with the international society.”



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