

## BOOM IN TECH - DOOM IN POLITICS – How can business contribute to a better future?

### KEY TAKEAWAYS 2018

**Boom or Doom?** Our problem-solving must pick up pace and fast. Boom in business can only be maintained in the long term, if the political environment remains reasonably far removed from doom. Right now, the days of going home to eat your dinner in peace, forgetting about the day's travails, are over. In the recent past, it has become painfully obvious that political decision-makers do not understand technology, at a time of the greatest disruptions in two centuries. At the same time, two past custodians of global order, the UK and US, are abandoning older institutions and alliances. The New Nordics – and, especially, their youth – need to remain agile, able to react and pivot, as necessary. Also, the view from below was that it was not clear who was leading the world? We will have to figure it out fast because politics cannot afford to make mistakes, as the entire society is at stake.

**Who shall take Britain's place?** The answer was no one, yet the New Nordics need to recognise a new reality that is emerging. Britain has been the most important voice for a liberal order within the EU. The Union has been a tremendous boon for business, and we must share the story of its role in Nordic wealth creation. Moving forward, we must offer the Nordic state of mind as a solution – pragmatism to the rescue. The Nordics can lead by example, show how openness is still the solution, and attract like-minded, talented people to both our geography and to the Nordic way of thinking. The future of Europe as a whole loomed large over discussions – the Nordics have a stake not only in the economic agenda formulated in Brussels, but also on security, defence and justice fronts.

**Did President Trump just kill the West?** At least he should not be discounted as just a randomly tweeting tycoon. According to *Edward Luce, Chief US Columnist, Financial Times*, Trump has an ideology – he operates in a Hobbesian, transactional world, where the US must always be the senior partner and values do not matter. The Western liberal order does not appear resilient enough to resist the emergence of a populist international, supported by figures such as Salvini in Italy and Orbán in Hungary, and the result can be a very different West – based on a white, Christian, anti-Muslim and anti-liberal ideology. Republicans have gone from being hawks on Russia and pro free trade to the opposite, and Trump appointments to the Supreme Court will influence the country for potentially 20-30 years to come. Luce also reminded that, historically, 60% of US Presidents get elected for a second term, and that Trump's re-election would have a much bigger global impact than the election. Trump's approach towards Putin can be risky for Europe, as it could lead to the loosening of sanctions against Russia and a diminishing US military presence in Europe.

**Change or Die!** Is traditional finance prepared for the coming onslaught from new contenders? The answer is important because without healthy finance there is no prosperity. New small players and regulators are together opening up banking like never before with Big Tech and even airlines eyeing entry into the market. The main technological innovation is blockchain, or the distributed ledger, which is gaining ground among both more traditional operators and newcomers. Scale and company culture will determine who wins. Regulators should push for broad but simple solutions instead of carving the space up into ever smaller sectors. The transnational nature of distributed ledgers poses major challenges for regulation that, in the past, was determined geographically. On the micro level, blockchain offers protection to individuals in countries with tumultuous financial markets. Meanwhile, Chinese firms – offering both purchase and finance on the same platform – have entered the European market and poses a major competitive and regulatory challenge.

**Climate action: Ramp up, or else...** Global warming is the most burning issue on our climate plate and could probably render large parts of the globe unliveable. If Africa and Asia run out of food, Northern Europe faces over 3 billion climate refugees. Urgent action is needed, yet the issue is not getting enough political attention. A global carbon market with a pricing system capable of steering the development should be created, including sectors like transport and data. Businesses cannot wait for regulators, as these will not show leadership. In turn, regulators should not choose winning technologies – these should emerge bottom-up. Much is already happening regarding long-term storage of energy, material efficiency, heating and cooling. CCU offers more possibilities than CCS, and hydropower should be explored. Ending combustion should be a target in itself. There is no need to invest in phasing out - if not allowed to grow, old technologies will disappear by themselves, as new ones become more competitive. Consumer attitudes are a challenge – even with millennials, who often choose something else than what they preach. A worry is that energy issues are also very political.

**Estonia as a digital champion.** The Estonian example shows that grasping opportunities and challenges is as important for countries as for companies, although means and remedies can be different. It is important to create a permissive legal environment for innovation, including in the public sector, and to build trust in common solutions. For society to be digitised, companies must produce sufficient services – also in order to attract e-residents to supply the workforce. To safeguard social systems, a discussion on tax residency is needed – how to link taxes to public services, if you live and work all over the world? The Finnish-Estonian digital platform is a good example. Estonians are not developers, but quick adapters, and have showed the same open attitude also towards population analysis and genome research. The country expects to have 20% of the population analysed for the most common genetic markers.

**Purpose and values.** If you cannot explain the purpose of your business, you will go out of business. This lesson applies not only when you think of, for example, sustainability, but in all that you do as a business. Therefore, we need significant changes to how we operate in the world. We do not spend enough time looking at underlying costs and need to give ourselves more breathing room to do so. By bringing the right people and organisations together, we can create tipping points for change on a global level. Do not let the sceptics and cynics stop us; millennials must be part of the change. Boards must have a fiduciary duty to the long-term success of the company.

**Leadership in the age of artificial intelligence:** *AI is seen as something important but difficult.* Technical competence of the people is of key importance, including regulators. What you do not understand, you tend to want to forbid. Security threats need to be taken seriously, but it is equally important to avoid bias: digital solutions are often required to be completely bullet-proof, although analogue solutions have never reached that standard. Nothing will happen with machines which cannot happen with human ecosystems. Important to make sure that regulation supports, not hinders, development. There are many legal aspects which need to be discussed on the EU level as well, including the relationship between humans and autonomous systems.

**Legal and business implications of artificial intelligence:** *To know what is going on in AI today, you need to look at Asia.* Half of the Asian population is under 30. They are the driving force and are forcing traditional businesses to move more quickly. Customer experience is at the centre, the gap between online and offline is closing and innovative services concepts are taking root. For the regulator, the best way is to create a digital sandbox where companies can try out different solutions working hand in hand with the authorities. The EU can have an important role in creating an effective regulatory framework for AI, like carbon pricing. Lack of rules can lead to serious disruption, risking a race to bottom. GDPR is good for European consumers, but other continents are not likely to follow, leaving the regulatory environment fragmented. For Europe, the next big question is: how data can be processed or accessed?

**Artificial Intelligence – what does it portend?** How do we choose the problems that we attempt to solve? They have to be serious and worth our time. That decision is the first step and then we should consider when to apply machine-learning, which allows us to make complicated decisions incredibly quickly. We spend a lot of time thinking about risks, which we, certainly, have to take into account, but we should not be fearful of AI. There is great need for adequate AI leadership, as any limitation of data use affects the outcome of the AI race – with the ultimate goal of Artificial General Intelligence. With the right approach, machine-learning can fix our greatest problems.

**The Future of Work:** the use of new technologies will increase welfare and well-being, and Northern Europe and China are best in embracing this change. Old functions will gradually be replaced by new ones in areas, in which machines can do a better job – in all things requiring classification and the analysis of large amounts of information computers win. There are also negative sides – hate speech, fake news, hacking etc. – but technology should be able to solve the problems. Deep down, the populist polarisation is a jobs problem, and should be tackled through the education system.

**Russia, the West and the Mess:** how should we move forward? The most important requirement is to maintain open communication channels, so that we can try different paths towards a better tomorrow. We must avoid unnecessary tit-for-tat escalations. The Russian economy is under significant pressure as a result of sanctions, as are many business people – not all of whom are necessarily friendly with the government. Young Russians increasingly want to work not in business but for the government and not always for the best of reasons. The downward spiral in Russian-Western relations needs to end. The Russian economy needs to overcome isolation, corruption, demographics and its dependence on oil and gas.

**China vs US: Who is winning?** China, if you ask those gathered in Helsinki. Speedy application of existing technologies and the existence of a huge, homogenous market are great assets. The Chinese winners are gradually ready to expand. But political tensions are imminent. Anti-China sentiment is increasing in the US and China is desperately trying to figure out how to manage its new role. Development going from “made in China” – to “developed in China” and soon “owned in China”. US-Chinese trade *disputes have the potential to become multilateral, resulting in a new recession*. China cannot keep up with services production yet, as it requires a lot of training, but is good at providing a sublime customer experience through platforms like Alibaba. Technology transfer should be seen as a temporary matter, to which foreign companies need to adapt. *Like Estonia, also China profits from the lack of legacy, being free to choose what works best.*

**What is really going on in the world economy?** Here, also, new technologies play a key role. The problem is just that European efforts to master them are too unambitious. In the end, those failing to invest in technology will decline, yet the market tends to punish companies announcing big investment programs. Europe’s problem is low productivity, and the Italian crisis demonstrates this very well. High taxes, low economic growth, low labour-force participation and no investments in education or research make quick fixes difficult. But the EU will be tough on Italy, and criticism towards the euro is growing. An Italian crisis is a bigger threat for Europe than a trade war. Some even believe that Trump will keep the trade issue up only until the mid-term elections in November. Others see a risk in the expanding trade war. European economy is generally on a positive path, but weak governments and non-functional administrations pose a significant problem.