Ludovit Garzik, November 2020

Circus Maximus - Global Tech Competition

The global competition on digital value chains is speeding up and seems to approach a culmination point with one of the players in a favorable position to act hegemonial against the others. It still is competition, it is not a war, everybody involved should try to deescalate semantics. Any political structure will try to protect and support the companies who employ their nations workforce. They have to and it is legitimate to enforce these interests. In a nutshell we can regard China, Europe and the USA (to place them in alphabetical order) as the players who aim for global leadership in the current and forthcoming technologies, as there are hardware, software and with growing importance, data driven value chains that decide on the future position in digital competitiveness rankings.

How would you produce a car without steel? How would you join a digital conference without a computer? How would sail without a boat? Let´s try to transform questions like these into the field of future technologies. How would you do research on artificial intelligence without data? How would you join future value chains without digital skills? How would you stay competitive without access to basic technologies?

The last three questions offer potential for beads of perspiration on the foreheads of regional managers who should meet the global competition. Insomnia will become a common phenomenon under these kind of managers as politicians of their regions demand to become innovation leaders and they didn´t even accomplish the first basic steps.

Innovation is part of industrial competitiveness and innovation policy is part of industrial policy. Global regions are in a race for gripping hold on future basic technologies that is taking up speed every day. The strategies behind are manifold and provide a range from setting a sound basis for the region´s own industrial players up to hegemonial political ambitions that should regain dependance of one global region to another that many thought to have been a challenge in history. Most regions experienced both sides of hegemonial systems.

There are two major sets of tools to reach digital hegemony. Special economic support for economic players in the region or building walls aiming at excluding players from other regions from the own market. Now lets´ take the inverse alphabetical order and start with the USA. The Clean Network Program of the US administration – presented in June 2020 - is part of this game, excluding exogenous players aiming to protect US corporate information from potential malicious usage by other regions. This program can be assign to the "wall" part of toolkits protecting the home market from unwanted competitors. In the political communication this is forced against Chinese players like Bytedance in the data driven business (TikTok) or Huawei in the hardware sector keeping them from installing 5G base

stations or selling their smartphones. Apart from the political messages this program excludes all the others as well, as long as they don´t sign in and ask for the protection of the US wall. For sure these can be regarded as hegemonial ambitions but on a political level this is legitimate. Every other player should be aware of the advantages and disadvantages of such protection.

China on the other hand closed its markets for most of the global players in search engines or social media and built up its own system of such services. Companies like Baidu, Tencent or Ping An faced a fierce competition in their beginnings inside China but were protected from competitors from outside. Future technologies in artificial intelligence, face recognition or even insurance business are at the forefront of global competition in China, many of these companies have their headquarters in Shenzhen which will be a strong competitor in human talent for Shanghai and Beijing in the coming years. China aims to enforce global communication and governance. In a speech at the International Seminar on Global Digital Governance in September 2020, State Councilor and Foreign Minister Wang Yi proposed a global initiative on data security. Whatever will come out of this initiative, it will be important to take it up and broaden communication across global players.

Europe tried to build the data protection wall around its population by the General Data Protection Regulation (GDPR). It is world leading placing the human and ethical questions in the center of technological efforts. No other global region is able or willing to compete with Europe in the question of digital humanism. But in global competition these questions are not the one that push companies up the rankings. They even seem to be a barrier for European startups if they intend to scale their digital businesses inside or outside Europe. And there is still a babylon of policies in Europe. A comprehensive European industrial policy cannot be found behind national and regional rag rug of policies.

A level playing field would be a great achievement. Would. As the balance of powers is as ever demanded by the weaker players in order to overcome their weakness by regulation, stronger players will not be interested. Game theory tells us that if there is no fair play by one of the players, the other will always be the looser. Here we can observe the differences between logics and politics. The global innovation game is not logic but it is a political one. Regions aim to protect the strength of their players in the international arena. It is like in ancient Circus Maximus. You are in the arena, the grille is lifted and you have to see what comes out of the dark. The only part you can influence at that time is your own power and smartness. If you are not stronger than the others, you better run faster and have more perseverance, otherwise there will be nothing left for you on the global value chain, the winner takes it all.