

MACRO/COVID-19: The political risks of technological solutions

- The first of our macro/Covid-19 pieces dealt with its impact on globalization; in this second note, we look at the politics of technological solutions to deal with the outbreak.
- While privacy concerns might dominate in developed economies, regions such as Southeast Asia might make use of digital tracking tools to expand economic opportunities.
- China will continue to use its technological leverage geopolitically where possible, which will generate an equally vigorous pushback from the US.

As the world keeps battling the Covid-19 pandemic, lockdown provisions remain in place in most of the affected places. Even initially skeptical countries such as the UK and the Netherlands have changed track, making remaining exceptions such as Sweden stand out. But as Europe and the US are waiting for signs of stabilization to emerge from the new infection statistics, the question of future exit strategies has inevitably emerged in the public debate. In that context, testing capacities have begun to play a significant role, but in conjunction with another, politically much more difficult proposition: digital tracking.

From a technical perspective, increased digital surveillance seems inevitable, since it has achieved good results in China. The South Korean example demonstrates the potentially powerful effects of combining mass testing with technological solutions for social contact tracing, to keep the virus under control if and when restrictions are gradually being lifted. Pressure for increased technological surveillance may even arise more spontaneously, from the bottom up. If the epidemic drags on and populations tire of strict social distancing, social groups may look for ways to create “white lists” that enable them to engage in limited socializing with select people, using technological solutions to help determine which individuals present relatively low health risks. New types of health-based social networks could arise that are ostensibly voluntary, though people who wanted to break out of social isolation would feel strong incentives to participate.

Privacy concerns and regulation

However, when institutional and political structures do not allow certain countries to ramp-up their testing capabilities quickly, this might limit the effectiveness of digital tracking. This is a risk that might pertain to the UK, where the government is playing with ideas for a contact tracing app but has for now struggled to conduct much more than 10k tests per day. On the other hand, Germany has quickly increased its testing capacity to 500k per week. Still, large-scale social tracking (used, on top of this, to record an individual's health) might turn out to be politically much more complicated given the country's history. Yet, in emerging markets across Southeast Asia, for instance, people can be expected to be more willing to accept greater surveillance and tracking. This could mean economic opportunities for companies offering solutions for smart cities and universal ID cards. This might, in turn, allow for expanded social safety nets, improve financial inclusion, and strengthen the tracking of migrant labor.

The politics of data privacy will, therefore, be crucial to assess risks and opportunities. But the problems arising in this context will be more nuanced and complex than simple issues of openness or closure to technological solutions. Instead, the question will be which (and whose) specific regulatory standards will be applied for everything from privacy to the sharing of information. Attempts by the European Union at defining a standard that preserves individual privacy depend on

the voluntary participation of users. Meanwhile, tech companies may argue that for their solutions to be effective, greater access to personal data is required; users might often hesitate, while at the same time wanting to get the virus under control; and governments could find themselves caught in the middle between conflicting (and perhaps evolving) demands.

Precedent (and pretext) risk

In other cases, however, it might be the tech companies that find themselves in a difficult spot. This could be the case where governments have a clear agenda to use technology for their own purposes. During the Covid-19 crisis, many states have imposed sweeping measures to stem the spread of the disease. This could become a pretext to continue the application of various surveillance systems on a more regular basis. It could also raise the question of the international sharing of data because some countries may use it as a factor in determining the visa regime for another country's citizens.

The resulting risks to democratic institutions and processes have become apparent, for instance, in Hungary, where the government's extensive emergency powers could be used to restrict opposition and free speech. Latin American politicians could justify the need for increased social control architecture with the additional challenges of controlling crime and corruption; Covid-19 might just be the short-term reason for their introduction. But with every additional example, the pushback in already skeptical countries could grow, thereby further increasing the risks also for the companies involved. In developing economies where technological capabilities are weak, global tech firms providing solutions may find themselves entangled in internal politics, especially where institutional or legal protections for privacy are weak.

The China factor

But the most visible risk might be the case of China. The country not only offers an example of the utility of technological solutions in fighting the virus but, via companies such as Tencent and Huawei, also provides the software and hardware that might be applied. Yet, the nature of the political system that has allowed for the swift rollout of technological solutions, and a general sense of growing "geopolitical" competition, continue to raise eyebrows in the West. Fears from the previous 5G debate are already resurfacing, with concerns that surveillance architectures could help China to build up control of associated industries including EVs, smart home and telecoms systems, and data from the internet of things.

Some countries (such as the UK, above) might respond by trying to develop similar tools for themselves, but that will not be possible everywhere. In Africa, for instance, Huawei is currently offering governments "temperature screening and monitoring systems" for airports, ports, and large public spaces (on top of donations of masks, protective gloves, and hand-sanitizers). This dovetails nicely with Beijing's longer-term commercial goals in the region. In regions such as Latam, where price sensitivity is acute, and therefore Chinese offerings are attractive, this could trigger further clashes with the US. One factor to watch might be where the politics of the Covid-19 crisis could lead to a weakening of existing reservations, perhaps opening previously locked doors to Chinese solutions – thereby provoking the ire of Western governments, and especially the US.

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