

# Technology and An Open Economy

Against the backdrop of the ongoing annual sessions of the National People's Congress and the Chinese People's Political Consultative Conference National Committee, *Beijing Review* reporter Zhang Shasha asked **Urs Bolt**, founder of Bolt.now, a tech advisory, and former Director of Credit Suisse bank's external asset management department, about his views on the Two Sessions and China's economic development. This is an edited excerpt of the interview:

**Beijing Review: What are your observations about the Two Sessions?**

**Urs Bolt:** They're trending globally. I'm impressed how the Chinese Government is adjusting goals and measures to maintain the strong economic growth momentum. In my view, one of the most important factors will be to create an open market, which gives access to foreign businesses, including fully owned Chinese subsidiaries. In addition, a free capital flow will further help to stimulate the economy.

I have also observed the rapid improvement in the air by reducing the use of polluting fossil fuels for electricity and heat generation. Increasing energy efficiency, measured in terms of economic output compared to energy use per capita, has to be continued. It will decrease health costs and improve the quality of living and health.

In addition, I'm impressed by the continued efforts for poverty reduction. To me, China has a far better track record than the United Nations' in the last 40 years.

**What about the economic development? Any highlights or experiences that can be shared with other countries?**

In 40 years, China has achieved much more than anyone else, in terms of numbers, the size of the country and also the poverty alleviation. Some people feel China's econ-



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omy is falling into recession. But the GDP growth is still confirmed at 6-6.5 percent. For me, that's far from recession. Recession

would be zero or negative growth.

China has already gone ahead of most countries in terms of its digitalization. This will continue because everything is service-, information- and data-driven in China. China has big data that can be used for pattern recognition, which is important for artificial intelligence (AI). So many things can be done based on this, which will help China to be ahead of the productivity curve.

China has an inclusive economy because the decision-makers understand poor people's need to have a better life.

**How do you see China's role in the Fourth Industrial Revolution?**

I think China will lead the revolution. The Fourth Industrial Revolution combines physical and digital transformation. Things today are combined with digital capabilities, called the Internet of Things. And things will be more integrated. For this you need technology. China already has WeChat Pay and platforms such as Baidu, Tencent and Alibaba, which are the best foundations to digitalize the economy. The Chinese Government endorses technological openness. I think China will be a big digital economy. The Western world has to understand how China actually runs the economy.

**How can China deal with risks and challenges in the financial sector?**

Let's look at peer lending, for example. Some entrepreneurs see that as an opportunity. They want to try out new things and benefit. The problem is when you benefit at the cost of others. People join peer lending because of high yields but maybe they cannot really afford to take the risks and others benefit from it. I think regulation is needed to help the investors. To automate investor protection into technologies, what



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we call regulatory technology or regtech, there is still a lot to be done.

The other example is shadow banking. Under an unregulated environment, people might use their position to benefit from others unaware of investment risks. Big data and AI will help to understand the risks. Platforms need risk-monitoring capabilities not only for themselves, but also for investors. The data has to be used by the regulator, the platforms and by investors so as not to invest in too high risks. I know the Chinese Government is aware of this.

China's large-scale data is an advantage to develop financial technology (fintech) and regtech, which will be conducive to and efficient in risk monitoring and control. The technologies implemented along with the data, including biometrics, are also China's advantages. China can export these technologies but relevant regulations should be implemented. Technology *per se* is not to be blamed for the controversial voices in society. A sound regulatory environment and ethical environment is crucial. The founders of Tencent and Baidu were calling for ethical rules vis-à-vis technologies such as AI. This is very important for the government to take note of.

Switzerland can assist in and provide technology and policy advice in the areas of wealth management and regulatory compliance. Both are complex systems requiring integration of many tasks and processes into one platform so that all stakeholders, such as customers, service providers and the regulator, benefit.

As an example we can look at investing in financial products. The investor might ask to buy or be offered certain financial products. Before allowing the client to invest, a risk profiling has to be performed, which can be mapped against suitable products with specific risks and expected performance. If such a process had been in place for people investing in peer lending, the damage would

have been largely avoided.

And all this needs technologies, including wealthtech and regtech, to automate and integrate the processes into customer-focused platforms.

### What role does technology play in China's economic development?

I can't imagine how China could manage a country with 1.4 billion people without using technology. E-governance plays a big role. This is a topic we talk about all over the world. Governments, if they want to provide better services, need to digitalize. I think in China there is both potential and a gap. Doing things with technology is a thousand times more efficient than doing it the traditional way. Things can be managed through WeChat rather than going to a counter. I'm a frequent user of WeChat, but for foreigners, payment is still a problem because we cannot use foreign credit cards in WeChat Pay. This should be improved. If China can digitalize governance services, these capabilities can be exported to other countries, such as the countries along the Belt and Road, which could create more value.

I am a beneficiary of wearable technology. I suffered from hearing loss. The Phonak Audeo Marvel (hearing device) I wear is Swiss hi-tech including AI. I have stopped calling it a hearing aid as it is an integrated device, which can be connected to smartphones through bluetooth. It is not limited to correcting hearing loss but has other functions including getting call and message notifications and listening to podcasts. It actually helps me to be more productive.

In Switzerland, when you have the concept or prototype, you have a lot of engineers from the applied science universities to work on it. That will be the biggest potential for China. We will make progress only if we embrace technology.

**As an ecomodernist, what do you think**

### China can do to balance its economy and ecology?

First, China needs to decarbonize energy. It's important to have less polluting energy sources. Energy density is an important factor, which means you have the biggest output from the least resource.

Second, how to use energy, since energy efficiency is important. China needs to use energy-efficient technologies to run its computer centers and factories. Switzerland is really one of the leaders when it comes to energy efficiency. For instance, we have an energy efficiency standard. I use three to four times less energy for my household than a typical American household. And then you add that to solar or wind energy. You need backup gas power and storage. China needs to reduce the import of fossil fuels.

### What else can China learn from Switzerland's experience in economic development?

China can learn many things from Switzerland, but the two countries are of different scale. For a small country like Switzerland, we are what we are today only because we have an open market. In the 19th century, when Switzerland was opening up, we were the only country where women could study in Europe.

Apart from an open economy, innovation leadership is another thing China can learn. We have many specialists, scientists and professors from outside Switzerland. Now we have American professors coming to Switzerland. We have Chinese professors. Switzerland's university system is number three worldwide. That's the ambition China has to have. Universities such as Peking University and Tsinghua University need to be in the top 10. China can benefit from collaboration with Swiss academic institutions. ■

Copyedited by Sudeshna Sarkar  
Comments to zhangshh@bjreview.com