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Machines, Asia And Fintech – Rise of Globalization and Protectionism as a Consequence

Abstract

The world is going through a turbulent time. The new US administration's policies, potential trade wars and the rise of Asia are going to together have a fundamental influence on the world's development, yet they are underpinned by longer term changes in the world's power dynamics. When examining paradigm changes, it's important to separate the long and short term, since both may have different winners and losers. Maybe the most pressing question on global policies, is whether the aim is to find win-win solutions or return to zero-sum policies. Technological development and grassroots globalization are forces that no political leader can halt. The current situation with competing globalization and anti-globalization forces make it more important for companies to really consider their international strategies. New global finance services (fintech) and the fourth industrial revolution are important parts of this development. In the past, industrial revolutions have caused political destabilization, new political movements and even civil wars.

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Introduction

The world is going through a turbulent time. President Trump's policies, potential trade wars and the rise of Asia together are going to have a fundamental influence on the world's development, yet they are underpinned by longer term changes in the world's power dynamics. When examining paradigm changes, it's important to separate the long and short term, since both may have different winners and losers. Maybe the most pressing question on global policies is whether the aim is to find win-win solutions or return to zero-sum policies. Technological development and grassroots globalization are forces that no political leader can halt. In the past, Industrial revolutions have caused political destabilization, new political movements and even civil wars.

Professor Raghuram Rajan, Distinguished Service Professor of Finance from The University of Chicago Booth School of Business, summarized the new economic realities at the Asian Financial Forum, by describing how there are 3.5 million poorly educated men in the US, who make their living driving a truck or car. Their jobs are going to disappear through the advent of self-driving cars. Further, there are large masses of men, who make their living maintaining or servicing cars and auto-insurance. A traditional car has over 300 moving parts, whereas a Tesla has roughly 20. This development will surpass just the driver and directly impact ancillary services related to cars and trucks. This development will see lines of work of millions of poorly educated people disappear, yet industries such as health and general services would likely need more applicants.

Qi Bin, Executive Vice President of China Investment Corporation, offered a different perspective at the Financial Summit in Dublin. In explaining the scale of demand in China for English teachers, he said that it was on such a high scale that each former driver or auto-industry person could be employed if they moved to China to teach English. Despite it sounding like a punch line, he made it clear it was far from a joke. In

China the amount of people wanting to study English is larger than the entire population of the United States. These are also increasingly well-paid jobs, given they are sought after by the rising middle class.

Another anecdote about how global economics and influence can play out and how the old world stereotypes may no longer apply; ten years ago, the Japanese manufacturer Honma, maker of one of the world's most expensive sets of golf clubs was on the verge of bankruptcy. Qi Bin described how they had been involved in discussions, where Chinese investors saved the company, purchased it and began to expand into the Chinese market and beyond. The firm turned a profit as it grew. Last year, Honma debuted on the Hong Kong stock exchange. Furthermore, President Trump, said to be a big fan of Honma golf clubs was presented a gold colored Honma golf club, a Chinese company's top tier product, by Prime Minister Abe of Japan as a congratulatory gesture right after his election victory.

In a way these anecdotes offer a perspective on the changes underway in the world. Machines make many traditional jobs redundant, starting from blue collar jobs, but also in more sophisticated roles in the near future. It is no longer easy to know the global sourcing, production and ownership networks of companies. The rise of Asia and global networks cover most products in the world. The service industry is growing and in need of more workers. Yet, people, jobs and competence don't always line up with one another with professional identity, attitudes and location also playing a significant role in the dynamically evolving ecosystem that tends to leave some behind as it strives towards the future. A truck driver isn't going to jump at the chance of teaching English in China; it may even be an impossibility. We're faced with a fundamental paradigm shift in the world. Industrial changes have created new political ideologies and birthed revolutions in the past.

The Old Order

The United States and the United Kingdom have been at the forefront of economic development since the Second World War. They've stood for free trade, free markets and global trade deals. As a result of the Second World War, they saw globalization and a global economic network as a means to avoid future world wars.

Both countries have benefited from these networks and often seen themselves as leaders in global development, often above all others earned by their struggles and ultimate victory during the Second World War. They did after all defeat the “evil” of the times. The Soviet Union and Russia have also used a similar narrative, branding their opposition as fascists and terrorists.

Economically this development was at its peak during Reagan and Thatcher in the 1980s. Their actions freed and accelerated capitalism and market development first domestically and later globally. Both leaders remain fundamental icons in their respective countries and political parties. Whether or not their current parties reflect the same policies is a different question.

Rise of Asia

The rise of Asia has been underway for decades. Japan was long seen as a global economic miracle and to this day it remains one of the world’s most prosperous countries, even though its economic growth has been slow in the past decades due to deflation. China’s growth spurt started in the 1980s and on its current trajectory, will surpass the US as the world’s largest economy. In addition, Asia has countless other growing economies in diverse stages of their development.

The rise of Japan was seen as a threat to US interests and discussion centered around how the Japanese were buying parts of the US. This was the prevailing period during the 1980s when Donald Trump started building his own real estate operations. In contrast to today’s China, Japan never challenged the US in foreign policy and was fully dependent on the US from a military perspective.

Asia has now become a production center of the world. A large part of the world’s clothing, electronics and machines are produced in Asia. This has reduced the amount of manufacturing work and jobs in Europe and North America. Today, the underlying causes are not that clear. Asia has also made its way higher in the value chain and possesses world leading design, software competence and local companies dominating world competition. This has previously been seen in Japan and Singapore, and now China and a few other countries in Asia follow suit. A common strategy by American companies has been to retain design, intellectual property ownership and sales, yet outsource manufacturing to Asia.

On the other hand, due to technological progress in automation and logistical optimization, manufacturing jobs have also partly returned to western countries. Today, however, Chinese companies are more than capable of taking a holistic approach directly, and automation and robotics can also achieve cost efficient manufacturing in the US. To be clear, this is changing regardless of what the political situation of today may be.

Last year Chinese companies completed the most international M&A transactions in the world. Chinese companies acquired during the first three quarters of 2016, a total of 671 companies around the world at a total combined value of $164 billion. This is roughly three times the value observed in 2015. The pace in 2017 is expected to be influenced by global trends such as Brexit and the new U.S. Administration. Chinese companies are now purchasing competence, distribution channels, brands and market positions from the global market. They are building truly global operations in various market sectors.

Asian Infrastructure Investment Bank (AIIB) President Jin Liqua was one of the keynote speakers in this year's European Financial Forum. AIIB was a Chinese initiative, but it has now representation from dozens of countries even though the US had a negative initial reaction to it and saw it as an attempt by China to challenge the positions of institutions like the World Bank and IMF. Now the United Kingdom is a member of the AIIB and Canada is planning on joining in this year. In total over 50 countries are already members and 25 more are expected to join in 2017. Liqua emphasized that 75% of the shares of the AIIB is held by emerging countries, yet the aim is to build it into a global operation and it already has three Europeans in leadership positions. China has been proactively building its positions in Africa and South America for years, making significant investments in the regions. Both Japan and South Korea have followed China's example in investing in the regions.

Protectionism on All Sides

The US has accused China of protectionism and of currency manipulation, i.e. artificially maintaining a lower value currency. At the same time, most countries or market areas, including the US and EU, protect their own markets through various restrictions, customs policies and requirements for local market approval. No party is passive and customs and import tariffs have actually increased during the last 10 years. It may well be that China has restricted its market more than many other countries, but at the same time Western companies have been able to take advantage of Chinese manufacturing and outsourcing to China.

Experts are torn as it comes to the question of currency manipulation. For example a former advisor to the Central bank of Japan presented a case for the Chinese currency to be overvalued in the current state and should be devalued. Yet that's an action that most would oppose as it could be seen as provocation by some other governments.

Famously China has also restricted foreign Internet services. Facebook doesn't work in China and Google's services are either impractical or outright impossible to use. This is widely seen as a way for the administration to limit dissent and inconvenient information. Many also argue this is a way to further interests in domestic economy and local services. Hence, while promoting globalization in its services outside its borders, there is movement of resistance in domestic policy in a bid to support the national growth and business interests. The same is also happening in Russia today, but of course the Russian market is smaller and less significant globally than China for international companies.

China has also been accused of industrial espionage and copying, which probably also has some basis in fact. On the other hand, experts on China's market have also explained it as a basis for an ultra-competitive market: where each day starts from scratch and each party tries to copy the best version and improve it for the market and triumph over the competition. But it's a competition that does not rest, not a day, not a second and a patent from years past is as useless as can be. We could also argue that the Chinese market represents an ultra-competitive capitalism in that way.

A way to interpret China's policies regarding currency and other restrictions has been the transition needed from a closed Communist system to an open market and stable society. This too likely has good foundations and compared to Russia, China's progress has been very different. At the same time it's probably a convenient way to place limits. Contemporary leadership in China are products and leaders from the communist system as well as products of the Army. The current generation that are climbing the ranks, however, also include large masses with modern education and international experience.

Embargos have been also a part of global trade and international affairs for hundreds of years. Especially during the cold war the US had many communist countries on the embargo lists. If we start to see trade wars and more protectionism, it is also very possible to see more embargo requirements. It is, anyway, more difficult nowadays to place any significant countries on the embargo lists, when the economies and supply chains are so connected with no country dominating many technologies or resources.

Not Only China

Asia is far larger than only China. ASEAN countries have for decades worked toward economic cooperation and integration. Their aspirations could be argued to be comparable to those of the European Union. They're building a unified market, which would see free movement of goods and services, a skilled workforce and investments. ASEAN countries currently includes founding countries Indonesia, Malaysia, the Philippines, Singapore, Thailand and later joined Brunei, Cambodia, Laos, Myanmar (Burma) and Vietnam.

The ASEAN countries are vastly different starting from the small and prosperous Singapore, to the large Indonesia, new economic star Vietnam and poor Myanmar (Burma). Together the ASEAN countries are 650 million people representing the worlds 6th largest single economic market. Similar with the EU, reasons to take the initiative were not only economic. Founding nations saw a need to counter the rise of communism in Asia. Southern Asia was still very war-torn 40 years ago. The cooperation toward peace has been a fundamental achievement for the region.

The ASEAN countries have traditionally been important countries in Asia. They were a key coalition in the Trans-Pacific Partnership (TPP) which President Trump has decided to abandon. ASEAN countries have disagreements with China regarding the South China Sea and especially China's desire to expand its influence in the region.

Trade Agreements

The Trans-Pacific Partnership (TPP) was signed by 12 countries in February 2016: Singapore, Brunei, New Zealand, Chile, Australia, Peru, Vietnam, Malaysia, Mexico, Canada, Japan and the United States. Each country should ratify the agreement by February 2018. For the agreement to become binding, it would have to be ratified by at least six countries that represent 85% of the total gross national product of all signing countries. That's no longer possible, when the US has pulled out from the partnership. Yet the other countries have indicated that they are still interested in making TPP happen even without the US.

The big question is, will the Trump Administration completely abandon TPP or does it wish to re-negotiate the agreement. The partnership took 10 years to negotiate, so it is likely that a new version would not be a quick affair, making it unlikely that such a renegotiation would take place. What makes the situation more complex for the US, is that China also wants to pursue an economic partnership in the region and TPP was seen as a victory for US ambitions. Now the Trump Administration is seeking to challenge China's position, while opening the door for China to lead economic policy in the region.

RCEP (Regional Comprehensive Economic Partnership) is a competing trade agreement spearheaded by China. Involved in negotiations are the ASEAN countries, Australia, China, India, Japan, New Zealand and South Korea. Together these countries represent 3.4 billion people and their gross domestic products are roughly 30% (and growing) of the world's total gross domestic products. Should it happen, it would be the biggest trade agreement in the world.

Even more ambitious, is the FTAAP agreement (Free Trade Area of the Asia-Pacific), which would in addition to the RCEP countries include the US, Canada, Russia and

Chile. It would cover 40% of the world's gross domestic product. The foundation would be Asia and the Pacific APEC countries cooperation, however this trade agreement is still in its infancy.

TPP was also seen as a threat to the EU and for example for the European car and airplane industries. It accelerated Europe's desire to create trade agreement with countries in Asia and possibly also an expanded trade agreement in Asia. It can be argued that the collapse of TPP has now not only increased China's position, but also the positions of the German automobile industry. The EU already has active negotiations with several significant countries in Asia.

Escalation of Conflicts

In addition to challenging Trade Agreements, the Trump Administration has threatened different types of tariffs. China has murmured retaliation if such actions were taken, even though it seems to want to emphasize globalization and trade agreements. China also imports substantial products, such as airplanes, cars and leading technology from the US.

The US is a significant user of debt and the largest part of that debt is lent from Asia, China in particular. On the other hand a significant amount of capital goes from the US to China as payments for manufacturing and components. The dependency is mutual. If exports from China and manufacturing for the US were significantly reduced, it would have a significant impact on the economies of China and that of the whole Asian economy. This reduced demand for outsourcing could, however, accelerate a structural shift toward higher value production and, in the longer term, accelerate the rise of Asia in final products.

In addition to trade, there are signs that the US is to challenge the One China Policy and China's position in the South China Sea. These are fundamental issues for China and it seems unlikely that China would make concessions. These issues may, however, increase the risk of military conflict between the two countries. Meanwhile, we've seen that the Trump Administration wants to build warmer ties with Russia, in order to win an ally against China. It is, however, very early to evaluate this development since it also includes the future role of NATO.

The economic development in Asia has been challenging and even risk prone for some traditional US allies. Japan for example has been a key US ally. Abandonment of TPP and China's increasing power represent uncertain scenarios for Japan. At the same time, there have been voices in the US that question the military support to Japan and suggest that Japan be more independent in its defense and even get its own nuclear weapons. It may be appealing for Prime Minister Abe, but may represent a more complex holistic situation in Asia.

Revolution of the Machines

Automation, digitalization and artificial intelligence (AI) are having an increased impact in world markets and fundamentally changing jobs. Self-driving cars are a tangible example of this change, which is expected to happen rapidly, but in industrial roles this shift has been underway for years. It will start with blue-collar jobs with white collar jobs next. For example, it's expected that AI will transform and replace many jobs in the finance services sector.

The protection of American jobs is surely a central theme for the US politics for the next few years. However, the reason these jobs are disappearing in the first place is complex and not just because of unfairly negotiated trade agreements or currency manipulation by a foreign state. It has been suggested that if globalization and technological adoption proceeds at the current pace, no one, not even the leading governments in the world can stop it and we are in fact bearing witness to the final battle for the western middle class position. Like all changes, they cause various types of uncertainty.

Countries are also vastly different in how prepared they are for the paradigm shift. The US is a leading country in many Internet services, but its manufacturing is not on par with its peers. Germany, China and Japan have for example been very active in the Internet of Things (IoT) wave that has an important role in the future of industrial production and intelligent machines.

Wealth allocation is also linked to this paradigm shift. The benefits of globalization have not yet benefited everyone and now due to machines, it may benefit certain segments even less. It should be noted that in their promotion of free-trade and globalization, Chinese officials have emphasized the importance of fair globalization, wherein each person benefits from its results. Many experts argue this requires a new type of wealth allocation with a national basic income seen as one solution. The wealth allocation within the nation as well as between countries is probably one of the most important political issues in the contemporary period.

Machines Have Won Wars

The award-winning movie "The Imitation Game" depicted life of the Cambridge University mathematician Alan Turing during WWII, who led a team of researchers that cracked the German Enigma coding machine. This invention played a pivotal role in cracking intercepted German coded messages and therefore enabled the Allies to defeat the Nazis in many crucial military engagements, including the Battle of the Atlantic. Not only did Alan Turing's invention shorten the war in Europe by more than two years and saved over fourteen million lives, but it also provided a formalization of the concepts of algorithm and computation, called "Turing Machine", which can be considered as a base model of a general purpose computer. As such Turing is widely considered to be the father of theoretical computer science and artificial intelligence.

Artificial intelligence already won a war (somehow) 70 years ago and had been a major contributor to the post-war security and geopolitical new order that we'd been living in until recently. We might though be entering a new era in which AI will again be a major contributor to geopolitical order. AI becoming a major military component of the new multi-polar world we're now living in.

Countries will begin using artificial intelligence to make decisions in their relations with other countries. Recent strategic decisions taken by Chinese and South Korean governments with regard to semiconductors tend to prove that this is already in place in some countries. This means that artificial intelligence systems from different countries will compete with each other, and AI will become a key differentiator not only for tech companies, but also countries and their government. In that field, Asia, with South Korea, China and Japan clearly are at a much advanced level than their Western country counterparts.

Digitization Transcends Borders

Digitalization also changes the face of the economy. It allows the rapid creation of global business with minimal equity. Software and Internet service companies are well known where a small number of people have been able to create businesses worth billions. The international market for physical goods are also changing with eBay and Alibaba having become significant sales channels for small and medium size businesses.

Digitalization allows true grass roots global businesses to flourish, where that was earlier limited to multinational companies. Even this development will, however, see jobs disappear, even though it opens doors for international scale entrepreneurship. The earlier mentioned American truck drivers could also offer their English lessons over the Internet and get payments in real time with digital currencies.

Digitization also raises new political and security questions. One example is data security and privacy. We have already seen issues between the US and EU over how to use and protect personal data. It implies that companies must protect their customer data, not only from criminals, but also from governments. Often it also requires that customer data reside in the same jurisdiction as the customer. But it also offers opportunities for countries to be data safe havens and attract global digital services that way. It is relevant in most digital services and becomes particularly significant in finance and fintech services.

The Complex Global Market

The Trump Administration and Brexit are now top global news. However they represent only a part of the picture in this market shift. They can be seen as causes of this change, but it is uncertain as to whether or not they are real solutions for a new future or a last attempt to hold on to the “good old times”. With no easy solutions, there are many difficult changes to come, but it is not the first time. And looking back at how things were rarely helps, we have to openly find new models that add value.

Disruption in Finance and Fintech Markets

Nationalism and protectionism are rising in some countries, and we see risks of global trade wars. National governments naturally want to control things as much as they can, especially when it comes to online businesses and services, particularly finance services. But as more and more people and businesses get connected to the Internet, the way they interact with each other both inside and outside country borders is evolving fast. From a services standpoint, we are moving from a decentralized world to a distributed world for many services. Finance services are slowly but surely heading in the same globalized direction, and while government regulators may currently not support this direction, there’s little they can do to stop it.

E-commerce, social media and low-cost communications services have changed our lives significantly during the last 10 to 20 years while money and finance services have developed slowly in relative comparison. It’s an area that’s not only heavily regulated but also dominated by old banks that have wanted to protect their positions, as well as expensive services for transferring money or keeping an account. Governments are also very interested in maintaining the status quo for such services when they want to follow the money (e.g. to prevent money laundering or terrorist financing) and collect taxes.

Despite that, however, finance services clearly are evolving. Today, we can send money via international money transfer services, and even some chat, social media and email services. (We’re actually seeing speculation that Apple, Google and Facebook could become banks if they so desired.) We also have neo-banks, like N26, that are only in your mobile and the bank’s servers. You can open a bank account from many countries without visiting a branch. And then there are p2p and crowd-financing and lending services that enable people to get loans and raise capital from other people and institutions directly.

All of this heralds a push towards more decentralized finance services, although most of these services are local (on the national level) rather than global.

However we're already starting to move beyond this decentralization model. Bitcoin and blockchain have been important buzz words in fintech for a couple of years – more generally, we talk about digital currencies and distributed ledger technology. Some people say distributed ledger technology (such as blockchain, which is just one model) will do for finance what TCP/IP did for the Internet – it could change the whole finance world, just as the Internet has changed many businesses and operations since the 1990s.

When this starts to happen, we're no longer looking at decentralized finance services, but distributed financial services. Distributed finance services enable real p2p, bypassing some parties (like banks) to authorize and control your monetary transactions. It is more like having digital tokens – a huge distributed network can identify your tokens, confirm they are real, and allow you to send and receive them. Distributed models and open APIs also enable a similar development for finance services as happened in the mobile application market, when Apple made it open and easy with the iPhone's App Store.

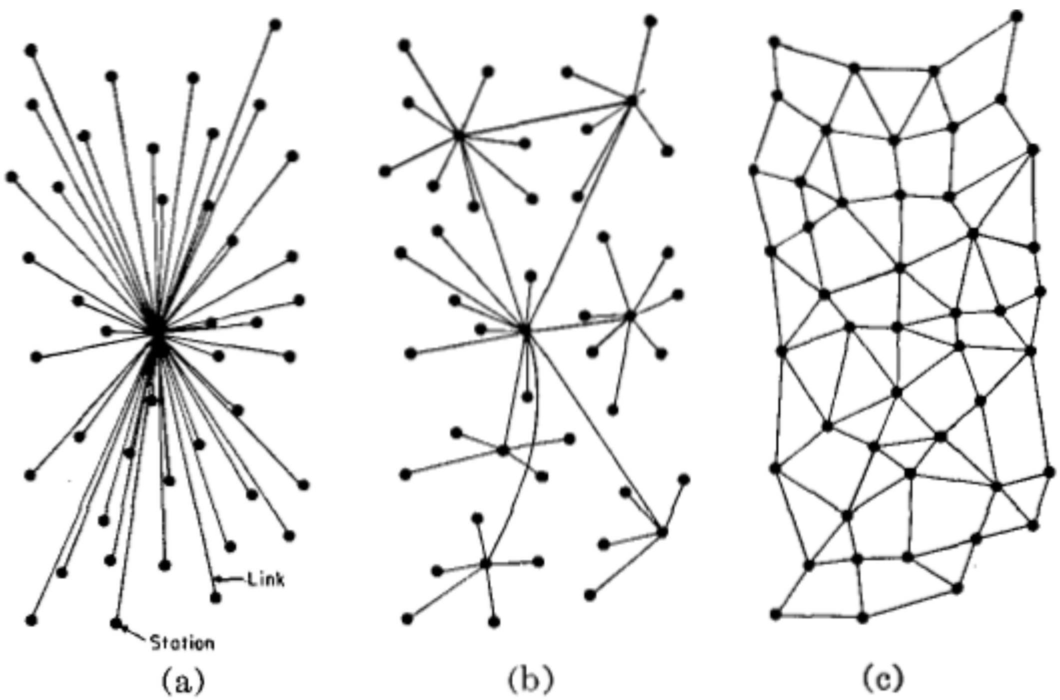

Fig. 1—(a) Centralized. (b) Decentralized. (c) Distributed networks.

You don't need a credit card, you need credit, and you don't need a bank account, you need a place to keep your money. What we're really talking about here is re-inventing finance solutions, whether for investments, loans, investment vehicles, or many other instruments that enable individuals, companies and governments to finance their needs. We still need finance services, back office functions and applications, but they don't need to be as old as our finance institutions.

Blockchain is admittedly a somewhat overhyped term. Banks use it for their internal database solutions – but that is not really what "distributed" means. We already have a lot of open API solutions, p2p services and cloud-based finance back-office services – very tangible components to build new solutions for distributed finance. But we still need to see some development with distributed ledger technology such as Blockchain to make it real.

This brings us back to the earlier point about protectionism and border control. How can we see a more distributed financial world if governments that want to regulate finance services want to exert even greater control?

We know from our experience with the Internet (which, again, is based on TCP/IP, an open standard) that it's not easy to control things when people have easy, low-cost access to them. Of course, some countries respond with national firewalls, and these can slow down development, but they cannot stop it, whether because of political pressure on finance institutions or younger digital-savvy generations who have no patience for old-fashioned solutions and will seek out services that meet the standards and expectations the global marketplace sets. At the very least, we will see distributed finance solutions appear within country borders. This will be a huge challenge for national finance regulators, but perhaps it's the incentive they need to innovate on tax collection procedures and managing fiscal policy.

Despite all the idealism and energy surrounding bitcoin and Blockchain, the finance sector will probably still develop more slowly compared to other areas, and there will always be some form of regulation. But we have enough evidence to conclude that nothing will stop the march of development. It is just a matter of time before distributed finance services hit the mainstream and replace old services. Those old services won't completely disappear – we'll still have them just as we still have circuit-switched phone calls today. And when finance services become globally distributed, then we can talk about real globalization.

Reshuffle Global Growth and Finance Hubs

Earlier we described the shift in the geopolitical environment and how machines can change institutional structures. At the same time, we see a lot of development on a local level that is partly linked to the global development while being partly independent. For example, we see new emerging startup hubs and how fintech and political decisions like Brexit are changing the balance of the finance hubs in the world.

Startup companies are seen as a driver of economic growth in the midst of paradigm shifts. Nearly every country wants to have more innovative companies and Silicon Valley in the US is seen as an example, of how companies worth billions can emerge from seemingly nothing. At the same time in China, companies such as Alibaba, Huawei, Xiaomi, WeChat have emerged in recent years and can be considered enormous successes. The scale is however different. The fact is that Alibaba's payment arm AliPay processes over 100,000 transactions a second during a busy peak, when VISA typically stays under 10,000 transactions a second. AliPay will process 10 times more transactions a second from a handheld than a traditional leading credit card company. Silicon Valley is still considered to have the most dynamic startup ecosystem, but these examples show a few dramatic successes emerging from outside Silicon Valley.

Ant Financial, the e-commerce giant Alibaba's financial arm, acquired American money-transfer major MoneyGram for $880 million in late January 2017. This deal is tangible proof of the present report's vision: an Asian FinTech newcomer created in 2004 takes over a US financial institution created in 1988[1] in a deal that will expand the firm's business in Latin America and Asia, not to mention the US. This means that a Chinese

[1] Actual date of foundation might vary: 1988 when MoneyGram was formed as a subsidiary of Integrated Payment Systems Inc; 1997 when MoneyGram International Ltd. was established by MoneyGram Payment Systems Inc. a year after the company had gone public

tech giant is willing to invest to expand its footprint to several continents, including some that were once impossible to reach for foreign investors (the US).

Brexit has had an impact on the role of London as a European and global finance center. Services that need license or passport to be offered in the EU must move from London to a new location inside EU. This strongly affects banking and brokerage services. The strongest candidates to win these services and jobs are Dublin, Frankfurt, and Paris. Most probably there is no one single winner in this race, but the services are moving to several locations, some of them also to lower cost locations. Fintech has also played a role in this and enabled de-centralization and distributed services to several locations.

The Brexit impact is not only limited to financial service licenses. Specifically for fintech startups and entrepreneurs it is also a question about possible locations to have the employees and acquire visas and work permits for them. Other cities in Europe, but also elsewhere, have already started positioning themselves to win and draw talent from London. It is not always about regulation and facts, but especially a desire to find places that are open, international and multi-cultural, especially for entrepreneurs and younger individuals.

With Asia emerging as a leading economy in the world, several countries and cities in Asia are building their future positions. For example, Singapore and Hong Kong must be active in fintech to guarantee their positions in global finance in the future. Some other counties like Vietnam and Malaysia are doing very active and systematic work to develop their own startup and entrepreneurship ecosystems. It is no longer about trying to emulate Silicon Valley, but developing a comprehensive digital ecosystem with services to facilitate and develop startup services, funding and support for growth companies.

Conclusions

As discussed earlier, distributed finance models and services also enable the creation and usage of services almost anywhere in the world. This means more competition between locations and no country with a guaranteed position in this global race. Myanmar

(Burma) was the richest country and regional finance and aviation hub before WWII, now it is the poorest country in Asia. In the 1940's, Argentina was one of the richest countries in the world. 30 years later it had a military government and since then suffered from several economic crises and hyper-inflation. The same can happen to any country in the future with other countries becoming new stars and winners.

Emerging economies, intelligent machines, and the rise of the middle class in the emerging markets are shaping the global economy as well as all local economies. It has also influenced most companies in the world in their future offerings, how to make their products, and reach their target audiences. It is a challenge for politicians to manage this development in a peaceful way. An important part of the solution must be the promotion of changes that bring benefits to all parties, not only a few. At the same time, the solution is not to stop the development, but drive the development and wealth distribution.

We see financial services playing a fundamental role in enabling this development, but they can also help bring benefits to all people. Now banks and other finance institutions are seen making the rich richer and representing an arrogant establishment. More democratic finance services should represent everyone, enable the operation of business and their capitalization from anywhere in the world, while also enabling fairer systems for tax collection and wealth distribution.

About the Grow VC Group

Grow VC Group is the world leading enabler of digital finance solutions. Established in 2009, the Group has developed new fintech solutions and digital finance services on six continents and continues to innovate the global digital finance market. Grow VC Group is recognized as a leading innovator of digital investment models and open marketplaces, for asset classes starting from early stage ventures, real estate, asset management and others. The Group works across various asset classes and investment models. The Group has a total of 10 companies that offer, for example, cloud based finance back office, alternative finance data, export finance, personal crowdfunding, and consulting services to build new digital finance services.

Authors

Jouko Ahvenainen

Jouko Ahvenainen is a serial-entrepreneur, e.g. co-founder of Grow VC Group, a pioneer in new funding solutions, including equity p2p investments. He participated in changing US finance regulation, getting the Senate and President to allow crowdfunding and has worked with EU and some Asian finance regulation. He has advised many policy makers about fintech, digital business and innovations. Jouko started his work with digital finance models in 2008.

Jouko is a founder, partner and board member in several innovative digital finance companies. Jouko is also an advisor for US, European and Asian investing and finance programs. He has especially worked to plan and implement models to get digital finance and institutional investor models to work together. Jouko is also listed as top 100 digital business influencers in the world and top opinion leader in digital finance models. He is a speaker at many leading finance, innovation and management conferences.

Markus Lampinen

Crowd Valley CEO, Markus Lampinen, is an internationally awarded digital finance entrepreneur. Active in pioneering new investing and asset management models worldwide, he has worked in digital finance since 2009. Under Markus leadership, Crowd Valley has attracted over 100 clients, built a world-renowned product authorized in over a dozen regulatory territories, created an esteemed partner network and set best practices around the world.

Markus has pioneered new investing models in the Americas, Europe and Asia, worked with policy makers (e.g. SEC, FCA, MAS, EC, ESMA) and actors in both the private and public sector (the WEF, World Bank, Kauffman), to develop the right framework for new funding models, including crowdfunding, cross border investments and private placements. He has been named in top 100 global thought leaders in digital finance. He serves as a frequent public speaker on related themes at leading forums.

Jean-Michel Pailhon

With 15 years of experience in execution of strategic projects (investment, divestment, IPO) acquired in a technology intensive environment in the international financial services sector (NYSE Group and Euronext), Jean-Michel Pailhon now brings his knowledge of the financial sector, the analysis of the emergence of new trends (business and economic models, new usages and technological breakthroughs), as well as regulatory and lobbying knowledge to startups, incumbents from the financial services industry and investors in the FinTech space.

Having been a close witness to several technology and regulatory-led disruptions in the financial services industry since 2000, Jean-Michel strongly believes that FinTech will continue to globally transform the banking, insurance and capital market industries over the next decade. His current scope of intervention in FinTech involves projects that will generate game-changing solutions to extra-financial data analysis, VSB/SME financing solutions and alternative assets marketplaces.