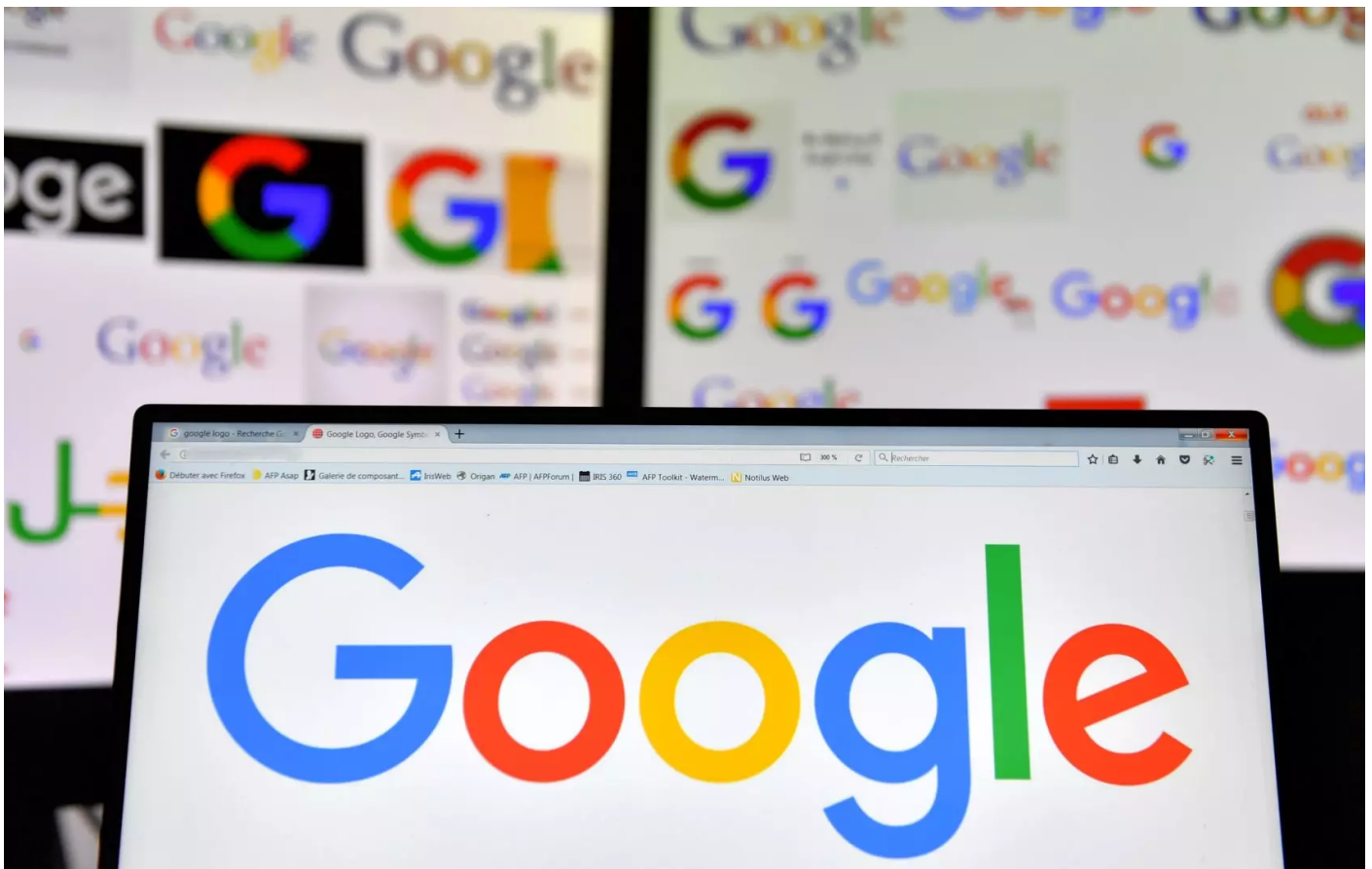




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Google, Facebook and Amazon's investments in London seem like good news post Brexit - but it's a red herring. Here's why

Ministers might be flattered by the recent attentions of Google, Facebook and Amazon, but long-term success relies on Deep Tech



(Photo: Getty)



by **Ian Burrell**

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Google, Facebook and Amazon are all making enormous new investments in London in a collective signal from Silicon Valley that the United Kingdom will continue to thrive after Brexit.

Facebook is planning a 6,000-capacity office complex due to open in 2021 in London's Kings Cross, close to where Google will house up to 7,000 workers in its audacious "Landscraper" (at 330m in width it will be 'bigger' than The Shard).

Amazon opened a new 15-storey base in trendy Shoreditch last year, shortly after Snapchat elected to have its international headquarters in the UK.

A red herring

Government ministers have been thrilled. Chancellor Philip Hammond was on hand as Facebook opened yet another London building in June, and its European boss Nicola Mendelsohn declared that the social network was "more committed than ever to the UK".

But hang on a minute.

While this Californian investment is welcome, its value to the UK's long-term reputation as a technology powerhouse is easily overstated. A vote of confidence from the Valley is no guarantee that UK tech will have a good Brexit. It is, in the words of one industry observer, a "red herring".

What matters more is the UK's ability to build its own tech success stories, supporting its centres of excellence in the university system and creating an environment where start-ups thrive.

The future is Deep Tech

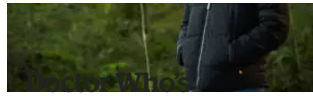
And the areas that offer the greatest potential for success are in "Deep Tech", a sector which encapsulates artificial intelligence (AI), virtual reality, cyber security, blockchain (a permanent digital record of transactions), biotech, big data, drones, robotics and more. It is central to the future of the creative industries and modern business.

The UK is notably strong in AI, blockchain, and the Internet of Things (where connected devices speak to each other). British unicorns (companies with valuations of over \$1 billion) include AI business Benevolent AI, augmented reality firm Blippar, and cyber security company Darktrace.

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Deep Tech and related areas such as HealthTech and FinTech (financial tech) now attract more venture capital funding than consumer-facing sectors such as food, fashion and taxi services.

On Tuesday, leading figures from the sector gather in London for Deep Tech Summit 2018, organised by Tech Tour. Delegates will be more dubious about the post-Brexit outlook than the ministers who court Silicon Valley.

France is closing the gap

Because while the UK attracted more investment in Deep Tech in 2017 (€1,649m) than any other European country, there are signs that France is closing the gap. Research on the wider tech sector by Ernst & Young (E&Y) this year found that global investors ranked Paris the most attractive European city for investment. Germany was the most attractive country, with France second and the UK third.

For years, the UK tech sector has benefited from access to finance from the City of London. But talent, rather than banking, attracts investors. France, which has invested heavily in cutting-edge scientific research, leads Europe in Deep Tech talent. Germany's industry, from Siemens and Allianz to its giant automotive companies, pours money into start-ups to augment R&D in fields from FinTech to driverless cars.

'Brexit gives the UK tech sector a chance to lobby Government - which needs it to succeed - for the best terms for recruiting talent'

Brexit gives the UK tech sector a chance to lobby Government - which needs it to succeed - for the best terms for recruiting talent, improving access to Tier 2 visas for skilled overseas workers. A "hostile environment" immigration policy is not helpful.

Where are the UK's tech giants?

We must support universities that specialise in Deep Tech, such as Oxford, Imperial College London, Southampton, Surrey and, most of all, Cambridge, which helped produce semi-conductor firm ARM and software business Autonomy, two of Britain's more successful tech ventures.



BRITISH AI company Deep Mind sold up to Google for £400m in 2014, rather than go it alone. "The best of Europe's companies are being sold to US and Chinese large corporates," notes investor relations consultant James Burnham, Tech Tour strategic advisor.

'When you are fighting against gorillas like Silicon Valley and China, you have to club together'

Meanwhile the Deep Tech hub in Shenzhen, China, grows stronger by the day. Nish Kotecha, chairman of Finboot, a UK blockchain company with its development arm in Barcelona, says that, rather than competing as hubs, European tech sectors must work more closely or face losing highly-mobile skilled workers. "When you are fighting against gorillas like Silicon Valley and China, you have to club together."

American corporates dominate our markets in Internet search and social networking, just as they do our commercial television (Comcast's purchase of Sky follows Viacom's acquisition of Channel 5 and Liberty Global's ownership of Virgin Media and circling of ITV).

Ministers might be flattered by the recent attentions of Google, Facebook and Amazon, but long-term success, post-Brexit, will be determined by the UK's own advances in Deep Tech.

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