



Trump's summit with tech executives looks good on jobs, but security issues remain thorny

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On Wednesday afternoon, President-elect Donald Trump hosted a group of the most powerful American technology companies at his tower in New York after months of tough campaign talk on bringing productive jobs back to the United States, repatriating corporate overseas cash, and some worrying assertions about increasing the scope of the public-private tech partnership in national security.

While discussions went smoothly on the next wave of high-tech domestic production and incentivizing deeper investment in the United States, sensitive issues of data privacy, encryption, and government surveillance were largely unaddressed and continue to loom large over the budding relationship between the new White House and Silicon Valley.

According to reports, the big tech executives attending the meeting with Trump include Alphabet (formerly Google) CEO Larry Page, Apple CEO Tim Cook, Facebook COO Sheryl Sandberg, Amazon CEO Jeff Bezos, IBM CEO Ginni Rometty, Tesla and SpaceX founder Elon Musk, and Microsoft CEO Satya Nadella. The Trump transition team indicated earlier in the day that Trump would also have private one-on-one meetings with Apple's Larry page and Elon Musk.

Erik Brynjolfsson, director of the MIT Initiative on the Digital Economy, said the meeting between Trump and tech leaders is important, especially in light of how it is "changing the fundamentals of the U.S. economy" and workforce.

Ahead of the Wednesday meeting at Trump Tower, a handful of major announcements came from major technology firms IBM, Foxconn, and Softbank, announcing preliminary deals that are in line with Donald Trump's campaign pledge to get more manufacturing jobs in the United States.

Before sitting down with Trump, IBM executive **Rometty announced** plans to invest \$1 billion and hire 25,000 people in the United States over the next four years. Rometty is also a member of Trump's advisory panel of business leaders, a panel that brings together some of the biggest names in American business to advise the Trump team on how to "make it attractive for firms to create new jobs" in the United States.

Only one week ago, **Foxxcon** announced preliminary discussions to expand operations in the United States. Taiwanese-based Foxxcon is the world's largest contract electronics manufacturer and a major supplier to Google, Dell, Apple, and Sony, among others. And just before that, Masayoshi Son, founder of Japan's **SoftBank Group Corp.**, met with the president-elect in Trump Tower to announce a \$50 billion investment in the United States and create 50,000 new jobs, a step that Trump said was a direct outcome of his election victory.

Brynjolfsson sees the renewed interest in U.S. investment as an indication of how the economy is evolving, rather than a strictly political issue. "The good news is, in many ways it's becoming more cost-competitive to do manufacturing in America," he said. As manufacturing jobs require less labor, "the low cost labor in China isn't at as big of an advantage as it used to be."

But companies still need to be encouraged to make it in America. For Trump, that has meant enticing business leaders with like tax credits or regulatory changes, and even making threats of stiff tariffs for companies trying to sell foreign-made products domestically.

During a January rally, Trump said, "We're going to get Apple to build their damn computers and things in this country instead of other countries." He also indirectly criticized Apple, which reportedly keeps nearly \$200 billion overseas to avoid paying U.S. taxes.

In an interview last year, **Apple CEO Tim Cook** said he would "love" to bring Apple production back to the United States, but because of the tax code, it just doesn't make sense to produce domestically. "It would cost me 40 percent to bring it home," Cook said.

After Trump takes the White House, Cook may get his wish to bring production back to the States. In late November, Trump recounted a phone call with Cook where he told the Apple CEO that it would be a real personal achievement if he could get Apple to "build a big plant...or many big plants in the United States." The incentive for Cook? "We're going for a very large tax cut for corporations, which you'll be happy about," Trump recalled telling the CEO.

Attracting the best and brightest to come back home is not only about specific deals with companies, according to Brynjolfsson. "The answer isn't just to try to buy the good will of the companies, it's to attract them with a superior workforce...then we become the best place to manufacture."

The tax breaks won't hurt either, he added.

Trump's tax plan calls for a one-time tax of 10 percent for companies seeking to repatriate their overseas earnings. He has also pledged to cut corporate tax rates to further incentivize the move. Making mountains of overseas cash available for reinvestment at home could contribute significantly to both private and public investment in educating a new American workforce, Brynjolfsson noted.

According to Moody's, the total amount of overseas cash held by non-financial U.S. companies was up to **\$1.7 trillion at the end of 2015**. Five of America's largest tech companies, Apple,

Microsoft, Alphabet, Cisco and Oracle held about a third of that total, or \$504 billion in cash it stored abroad to avoid complex and costly repatriation taxes and corporate taxes.

While both the Trump team and the tech leaders seemed to have their interests aligned around many of the economic issues that were on the agenda at Trump Tower, there are still very delicate issues to be discussed regarding how these same tech firms will fit into Trump's national security strategy.

Timothy Edgar, served as the first privacy and civil rights director on President Barack Obama's National Security Staff, a position where he often saw clashes between the interests of the tech companies and privacy advocates on one hand and the government and national security establishment on the other. He sees some troubles on the horizon between the next White House and Silicon Valley.

"I think this was more of a relationship setting meeting," Edgar commented. "But I think the tech community may be in for a rude awakening."

Edgar warned that if Trump follows through on some of his more troubling campaign promises, Silicon Valley will have a man in the White House "who is actively hostile" to their interests. In recent years, the U.S. government has looked increasingly to partner with private technology companies to provide solutions to some of the more difficult intelligence and security problems, whether the partnership has been more open or covert. Twitter, Google and Facebook teamed up with the Obama administration to shut down the online communications of violent extremists and terrorist organizations. And former NSA contractor Edward Snowden exposed the "highly collaborative" partnership between the NSA and telecommunications giants Verizon and At&T to carry out dragnet domestic surveillance in the aftermath of the 9/11 attacks.

With the exception of the reforms in the 2015 USA Freedom Act, the government has continued pushing for increased surveillance authorities.

Following the San Bernardino terrorist attacks in Dec. 2015, Apple rejected the FBI's demand to break the encryption on the terror suspect's iPhone citing the basic principles of cyber security, namely, if the good guy can get access, so can the bad guy. Before finally cracking the encryption on the terrorists iPhone5, the FBI sued Apple. The company refused to budge, particularly given the backlash it would face from privacy-conscious consumers.

Donald Trump inserted himself into the heated encryption debate. He put out the call over Twitter to "Boycott all Apple products until such time as Apple gives cellphone info to authorities regarding radical Islamic terrorist couple from Cal."

Edgar raised concerns that Trump could use the threats of tariffs and other penalties to push tech companies into an otherwise uncomfortable national security partnership with his government. "One question that I think the privacy community will have, and its users will have, is 'are you going to sell us out on some of these other issues in order to try to curry favor with the Trump administration?'"

In addition to his apparent distaste for end to end encryption, Trump called for increased surveillance of Muslim communities in the United States after the deadly terrorist attacks in Paris, saying his government would do "unthinkable" things in the name of security. Trump has also supported the reauthorization of the controversial mass-data collection program (section 702) of the Patriot Act, said he would kill the families of terrorists, and his National Security Advisor, Gen. Michael Flynn indicated that a fear of Muslims is "rational."

Many of these issues that intersect national security and government surveillance, are areas where former National Counterterrorism Center director, Matthew Olsen fought for increased authorities.

During a conference at the Cato Institute, Olsen warned that while fighting for more executive powers in surveillance and domestic law enforcement, he never anticipated the possible abuses by an incoming administration, which he now fears under Donald Trump. "For my part, as I fought for these changes, I did not bargain on a President Trump," Olsen warned, saying he did go so far as to imagine "how these policies would actually be implemented" by a future administration. "So this is a time of sort of soul searching for me."

The Trump administration, like past administrations, will have to sort out some of trickier issues around privacy and security as it takes office, especially to ensure continued cooperation in the areas of jobs and the economy.

Working through those tougher national security issues will be fundamental for the relationship with America's technology firms moving forward, Brynjolfsson acknowledged. "But on the jobs issue, on the economy, there is a huge opportunity for a win win."