

Silicon Valley's Conflict of Interest over Trump

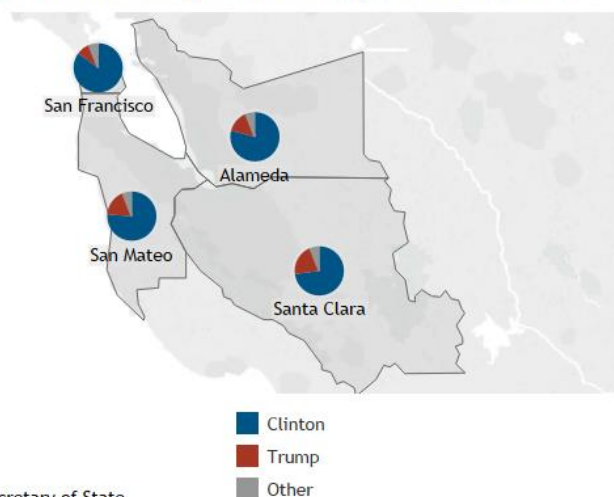
Blog post by Adviser Conan D'Arcy, 15 February 2017

In the 2016 Presidential election, Silicon Valley burnished its credentials as a liberal bastion. In the combined counties of San Francisco, San Mateo, Santa Clara and Alameda, 78% of voters supported Hilary Clinton with only 16% voting for Donald Trump.

Last week I visited San Francisco and Paolo Alto and heard how Silicon Valley and the tech companies it hosts, many Clinton backers, are still digesting the implications of Trump and struggling to decide whether to prioritise political values or commercial pragmatism.

The initial reaction to Trump was pragmatism. Tech CEOs from Apple's Tim Cook, Alphabet's Larry Page to Cisco's Chuck Robbins dutifully attended a roundtable with Trump and his team in December. At the time, Cook outlined the pragmatic case for engagement by stating that "the way that you influence these issues is to be in the arena." In the aftermath of the summit, Elon Musk, the CEO of SpaceX and Tesla, and Travis Kalinick, the CEO of Uber, joined Trump's Strategic and Policy Forum.

How San Francisco and Silicon Valley voted in the US presidential election



Source: California Secretary of State

However, following the Executive Order (EO) on immigration, political principle trumped pragmatism. While "access to the best and the brightest in the world" is a fundamental ingredient to Silicon Valley's success, the EO alone would have been unlikely to significantly affect access to talent. Nevertheless, the tech industry has led national opposition to the President's policy. CEOs across the tech sector signed a letter opposing the EO, while Alphabet and other companies are funding a legal challenge to it, raising the prospect of a major rupture with the new administration.

Despite this turmoil, there is a growing confidence amongst investors over the health of tech under the Trump administration. This week, Apple's stock hit an all-time high with the company now

valued at \$700 billion. Facebook, Amazon and Alphabet have all registered rising share prices since the start of the year. Part of this is a bet by investors on the administration's proposed tax reforms, which would allow for a one-off repatriation of offshore funds taxed at a reduced rate of 10%. Apple have up to \$200 billion held offshore and the potential for a tax holiday could see increased dividends for investors and new investment plans for the business. This has led some within the investment community to question whether tech leaders would be better prioritising securing the tax reform rather than opposing the President's immigration policy.

So, what explains the prominent role that the tech sector has assumed on migration? Some see the EO as the thin end of the wedge with more restrictive measures likely to follow. For others, particularly brands targeting young, upwardly mobile consumers, it is the potential reputational damage with their customer base. An online #DeleteUber campaign succeeded in forcing Travis Kalinik to resign from his role advising the President.

For others, it is how the companies and their employees perceive themselves. While sceptical European policymakers and commentators may not take idealistic mission statements from US tech companies seriously, they are taken at face value by US tech executives themselves and by their employees. Alphabet and Google's prominent opposition to the EO can, in part, be explained by the strength of feeling from their employees which led to protests and walkouts by Google workers across the US.

While principle opposition to Trump is the order of the day in Silicon Valley, we may yet see a reversion to pragmatism if Trump does deliver on his tax reforms. Money talks in Silicon Valley as much as it does in Manhattan.