

Snowden revelations costly for US tech firms, study says

June 9 2015, by Rob Lever



US National Security Agency whistleblower Edward Snowden speaks via live video call during the CeBIT technology fair in Hanover, Germany, on March 18, 2015

US technology companies are getting hit harder than anticipated by

revelations about surveillance programs led by the National Security Agency, a study showed Tuesday.

The study by the Information Technology and Innovation Foundation, a Washington think tank, said the impact would be greater than its estimate nearly two years ago of losses for the [cloud computing](#) sector.

In 2013, the think tank estimated that US cloud computing firms could lose between \$22 billion and \$35 billion in overseas business over three years.

It now appears impossible to quantify the economic damage because the entire sector has been tarnished by the scandal from revelations in documents leaked by former NSA contractor Edward Snowden, the report said.

"These revelations have fundamentally shaken international trust in US tech companies and hurt US business prospects all over the world," the report said.

Study co-author Daniel Castro said the impact is now open-ended, with the NSA scandal having tarnished a wide range of US [tech firms](#).

Since 2013, he said, "we haven't turned this around: it's not just cloud companies. It's all tech firms implicated by this," he told AFP.

"It doesn't show any signs of stopping."



The National Security Agency headquarters at Fort Meade, Maryland, on January 29, 2010

The report said foreign customers are increasingly shunning US companies, and governments around the world "are using US surveillance as an excuse to enact a new wave of protectionist policies."

One survey cited by the researchers found 25 percent of businesses in Britain and Canada planned to pull company data out of the United States as a result of the NSA revelations.

Some companies in Europe do not want their data hosted in North America due to these concerns, the researchers said.

Meanwhile foreign companies have used the revelations as a marketing opportunity.

"There is also an increasingly distressing trend of countries, such as Australia, China, Russia, and India, passing laws that prevent their citizens' personal information from leaving the country's borders—effectively mandating that cloud computing firms build [data centers](#) in those countries or risk losing access to their markets."

The report said several US tech firms including Apple and Salesforce have already started to build data centers abroad "to appease foreign watchdogs and privacy advocates."

While this "data nationalism" may create some jobs in the short term, Castro said that countries enacting these policies "are hurting themselves in the long term by cutting themselves off from the best technology."

New law insufficient

Castro said the passage of a reform measure last week called the USA Freedom Act is not sufficient to repair the reputation of US tech firms.

The report recommends further reforms including boosting transparency of surveillance practices, opposing government efforts to weaken encryption and strengthening its mutual legal assistance treaties with other nations.

"Over the last few years, the US government's failure to meaningfully reform its surveillance practices has taken a serious economic toll on the US tech sector and the total cost continues to grow each day," Castro said.

Castro said the USA Freedom Act, which curbs bulk data collection among its reforms, is "good legislation and a step in the right direction. We have ignored the economic impact of US [surveillance](#)."

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