

Google's decision on China traces back to founders

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A Chinese flag flutters outside Google's China headquarters in Beijing, China, Wednesday, Jan. 13, 2010. Google Inc. will stop censoring its search results in China and may pull out of the country completely after discovering that computer hackers had tricked human-rights activists into exposing their e-mail accounts to outsiders. (AP Photo/Ng Han Guan)

(AP) -- Google Inc. co-founders Sergey Brin and Larry Page have always said they put their principles before profit, even to the point of using their control of the company to take a stand.

The billionaires' idealism underlies a potentially expensive decision disclosed this week: Google's threat to leave China's rapidly growing Internet market in defense of free speech and its users' privacy rights.

It's a bold move unlikely to be made without the explicit support of Page and Brin, given the possible fallout. Departing the world's most populous country could slow Google's earnings growth and weigh on its stock.

Although Google has thousands of shareholders, it has two classes of stock, giving Page and Brin veto power over everyone else, including the company's chief executive, [Eric Schmidt](#). Combined, Page and Brin hold 58 percent of the voting power among shareholders while Schmidt has less than 10 percent, according to the company's disclosures.

Google said this week's China bombshell was the result of an "incredibly hard" decision, but the company declined to elaborate on the internal debate. Google declined requests to interview Page, Brin and Schmidt.

Page and Brin, both 36, pledged to strive to do the right thing in a manifesto that they distributed just a few months before Google took its stock public in 2004.

"Don't be evil," they wrote, evoking the phrase that has become Google's motto. "We believe strongly that in the long term, we will be better served - as shareholders and in all other ways - by a company that does good things for the world."

Critics contended Brin and Page broke that promise in 2006 when Google created a Chinese version of its search engine, at Google.cn, to be in a better position to profit from China's booming economy. To gain the toehold, Google complied with the Chinese government's demands for censorship of [Internet search](#) results about political dissent and other hot-button issues.

[Human rights](#) groups and even some Google shareholders have been urging Google to pull out of China for the past four years, only to have Schmidt diplomatically reject the idea. He has maintained that Google needs to be in China to protect its franchise as Chinese becomes the Internet's predominant language - a transition that Schmidt thinks could occur within five years.

Brin, though, has never been completely comfortable with Google playing by the Chinese government's rules.

In each of the last two years, Brin abstained from voting on shareholder proposals demanding that Google defy China's censorship policies. The symbolic act was designed to show he shared some of the concerns outlined in the measures, according to Brin.

Some of Brin's misgivings can be traced to family's own experience under Communism. He was born in Moscow in 1973. He and his family fled the Soviet Union when he was 6 years old, but he has said the oppressive policies of the government and the anti-Semitism directed at his family and other Russian Jews have helped shape his thinking on political and social issues.

Page, born in Michigan, voted against the shareholder proposals that tried to get Google to change its ways in China.

But those votes occurred before Google became a target of computer attacks originating in China.

In a blog posting about the assault, Google said hackers broke into the e-mail accounts of human rights activists who challenge China. The chicanery led Google to conclude "we are no longer willing to continue censoring our results on Google.cn." That act of defiance might be the first step toward leaving the country completely.

China hasn't turned into a big moneymaker for Google yet, partly because it's a distant second to the homegrown Baidu.com in the country's Internet search market. Analysts estimate Google could get \$250 million to \$600 million in revenue from China this year, a small slice of Google's \$22 billion in worldwide revenue.

Google's absence from China would likely loom larger as more of the country's people get Internet access and the economy continues to grow.

By 2013, about 840 million Chinese will be surfing the Web at least once a month, predicts research firm eMarketer Inc. That would open far more opportunities to show the online ads that account for most of Google's earnings. Analysts estimate somewhere between 330 million and 400 million Chinese regularly use the Web now.

Broadpoint.AmTech analyst Benjamin Schachter is worried Google's stock will suffer if the company leaves China. "The obvious concern is that China's growth has been solid and its market potential is enormous," he wrote in a Wednesday research report.

Google shares held up fairly well Wednesday, dipping just \$3.39, or less than 1 percent, to close at \$587.09. That's nearly seven times higher than Google's IPO price of \$85 in 2004, a performance reflecting the company's evolution into one of the world's most powerful entities.

By taking a stand in China, Google could win more goodwill among Internet users opposed to the Chinese government's policies.

Google won widespread praise in 2006 when it took on the U.S. government in a privacy battle. Unlike several of its rivals, Google refused to comply with a subpoena seeking potentially sensitive information about its users' search requests. [Google](#) went to court instead, and a judge sided with the company.

"Being righteous is in their DNA," said Gartner analyst Whit Andrews.

Leading up to the IPO, Page and Brin advised people not to buy Google's stock unless they felt comfortable with the duo's unconventional approach to business.

"You are placing a potentially risky long term bet on the team," Page wrote in 2004, "especially Sergey and me."

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