

# Google negotiating ways to keep presence in China

January 25 2010, By JOE McDONALD and MICHAEL LIEDTKE , AP Business Writers

---



Workers repair a partially broken marble tablet which bears Google's logo in front of Google China's headquarters building in Beijing, China, Monday, Jan. 25, 2010. The Chinese government denied involvement in Internet attacks and defended its online censorship Monday after the United States urged Beijing to investigate complaints of cyber intrusions in a dispute that has added tension to bilateral relations. (AP Photo/Alexander F. Yuan)

(AP) -- Even if its stand against censorship leads it to close its search engine in China, Google Inc. still hopes to maintain other key operations in the world's most populous Internet market.

Google is negotiating to keep its research center in [China](#), an advertising sales team that generates most of the company's revenue in the country and a fledgling mobile phone business as the company navigates the

delicate negotiations with the government.

Both sides are torn by conflicting objectives.

Google says it's no longer willing to acquiesce to the Chinese government's demands for censored search results, yet it still wants access to the country's engineering talent and steadily growing online advertising and mobile phone markets.

Chinese leaders are determined to control the flow of information, but realize they need rich and innovative companies such as Google to achieve their goal of establishing the country as a technology leader. Even some Chinese media that rarely deviate from the party line have warned that Google's departure could slow technology development and hurt China's economy.

Analysts are split on how the current impasse will be resolved, with some resigned to Google having to pull completely out of China for the foreseeable future while others envision a face-saving compromise that preserves a toehold in the country for the company.

Robert Broadfoot, managing director of Political and Economic Risk Consultancy in Hong Kong, is among the camp that expects Communist leaders to bend their rules to keep Google in the country.

"They're hardly going to close the door on the innovator. They are very interested in what (Google is) innovating, because they may want it for themselves," said Broadfoot, who has advised companies on China since the 1970s.

Google said Jan. 12 it might close its China-based search engine, Google.cn, because it no longer intends to censor the results as it has for the past four years. And, the company, warned, the decision could lead

the company to pull out of the country completely.

The threat stemmed from computer hacking attacks on Google's computer code and efforts to break into the e-mail accounts of human rights activists. Google said the intrusions originated from within China, but stopped short of linking them directly to the country's government.

Google Chief Executive Eric Schmidt told analysts last week that the company planned to make changes in China in "a reasonably short time" while raising hope for a compromise.

"We made a strong decision that we wish to remain in China," Schmidt said. "We like the business opportunities there. We'd like to do that on somewhat different terms than we have."

The dispute with China prompted Google to postpone the planned release last week of its latest mobile phones for the country, a market with more than 700 million accounts. But the company says it still hopes to sell the phones in China.

Even if Google.cn is shut down, Google wants to keep its Beijing development center and sales offices in Beijing, Shanghai and Guangzhou, according to a person familiar with its thinking. But that won't happen if management believes its decision to stop censoring search results will jeopardize employees in China, according to this person, who asked not to be identified because of the sensitivity of the negotiations.

Google will not say how many employees it has in China, but industry analysts estimate its work force at 700. The company, based in Mountain View, Calif., employs about 20,000 people worldwide.

The Chinese sales force is important to Google because most of the

company's revenue in China comes from online ads sold on Google's U.S. Web site, Google.com. The company also runs an ad network that places marketing messages on other China-based Web sites besides its own.

Analysts say keeping Chinese advertisers happy would be more difficult if Google closes its sales office in the country and tries to connect with the customers from abroad. Alienated advertisers would be more likely to defect to alternatives still based in China, such as Baidu Inc. and Alibaba Group, which is part owned by Yahoo Inc.

Google trails Baidu with about 35 percent of China's search market to its local rival's 60 percent.

If Google does close Google.cn, it could go back to trying to reach Chinese Internet users with the Chinese-language portion of Google.com. That was Google's strategy before 2006, when it opened its censored search engine to better reach the Chinese population. Google opted for a China-based [search engine](#) because the [Chinese government](#) used its Internet filters to restrict access to the U.S. site.

Beijing encourages Internet use for education and business but tries to block material it deems subversive or pornographic and was filtering access to Google's U.S. site.

In a sign of hardening Chinese attitudes, the Ministry of Industry and Information Technology on Monday denied government involvement in Internet attacks and defended its online surveillance as lawful. The Communist Party newspaper People's Daily accused the U.S. government of controlling the Internet at home while urging other countries to build an "Internet freedom utopia," which it called "only an illusion of freedom."

There's still a chance that Chinese leaders may be more conciliatory behind closed doors. Google has been more circumspect publicly since confronting China in a blunt posting on the company's Web site.

In recent years, companies have learned better how to deal with Beijing and to channel complaints about market barriers and regulations through trade groups. That helps to conceal their identity and shield them from retaliation.

Last year, manufacturers that opposed Beijing's order to include its "Green Dam" Web-filtering software with personal computers worked through trade groups and refused to talk about it publicly. The government withdrew its order in June in a rare last-minute reversal, though schools are required to use the filter.

Wal-Mart Stores Inc., which resists efforts to form labor unions in its stores elsewhere, faced an organizing campaign by China's state-sanctioned labor group in 2006. The company ultimately agreed to cooperate in forming unions at its dozens of China outlets.

The [Google](#) dispute could heighten disputes within the Communist Party over how to balance security and economic development, Broadfoot said. He said the search giant's future in China might be decided by the outcome of that struggle.

"Those two factions have to conduct a very difficult dance that they really don't want the outsiders to watch," he said. "The most important lesson out of this is it helps us understand the kind of economic player China wants to be."

©2010 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed.

Citation: Google negotiating ways to keep presence in China (2010, January 25) retrieved 27 June 2024 from <https://phys.org/news/2010-01-google-ways-presence-china.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.