

Baidu CEO: To make it in China, play nice with the government

July 9 2010, By John Boudreau

The head of China's biggest online success story has some advice for U.S. companies hoping to break into the world's largest Internet market: You'd better hurry, and you'd better be willing to work with the government.

In a wide-ranging interview with the Mercury News, his first with an American newspaper since Google's clash with Chinese officials over [censorship](#), Robin Li, co-founder of China's leading search engine, [Baidu](#), talked about the challenges companies face as they try to crack China's market.

His message to foreign Internet companies is they'd better move quickly to get into China's fast-changing market of 400 million users. Facebook CEO [Mark Zuckerberg](#), for one, has talked about expanding to China, even though the social networking site is now blocked in that country and other Silicon Valley giants, such as Yahoo and [eBay](#), have failed there.

"The Chinese government still would like to see U.S. Internet companies explore the Chinese market, providing they are willing to abide by Chinese law," Li said. "I think companies like Facebook should think about the Chinese market. If they do it right, if they have a lot of patience, they have a chance. But time is flying. The [Internet market](#) is growing and there is a lot of competition. If you don't go (soon) you'll lose that window of opportunity."

Li, during a brief visit to Silicon Valley this week, said Google's decision in March to stop censoring its searches and automatically redirect users on the Chinese mainland to its Hong Kong site has so far had a "marginal" positive effect on the business of Baidu, the nation's dominate search engine.

Google's market share by revenue in China fell to 30.9 percent in the first quarter this year from 35.6 percent. Baidu, on the other hand, saw its market share jump to 64 percent from 58.4 percent in the same period.

Faced with losing its business license in China, [Google](#) announced last week that Chinese on the mainland will now have to click on a link to be connected to its Hong Kong site. It's not clear whether that move will satisfy the Chinese government, which has not yet said if it will renew Google's license, which expired last week.

Google does not censor searches on its Hong Kong site but Chinese government censors block mainland Chinese Internet users from accessing politically sensitive search results from the Hong Kong site. Under the so-called "one country, two systems" arrangement, Hong Kong is part of China but many of its laws and regulations are different, including those affecting the Internet.

Google is haggling with the Chinese government like an American lawyer, Li said. "It's back and forth. This has never happened before. We don't know what the end result will be.

"The bottom line is that I believe a company should not just fight with a country, especially with a country like China that is a large and powerful country with a very strong government," he said. "You need to respect that."

China's Internet market remains relatively small in terms of the revenue it generates. And government censorship is a big obstacle for American Internet companies, who are apt to be hauled before a U.S. congressional committee should they comply with restrictions on the flow of information or turn over user ID information to the [Chinese government](#). But with less than 30 percent of the nation's population online, the Chinese Internet market remains a huge draw to foreign companies eyeing its potential for explosive financial growth.

"It's a market that comes with a lot of challenges," said Jonathan Zittrain, co-director of Harvard's Berkman Center for Internet and Society. Nonetheless, "there is certainly a hunger to get involved in that market."

"What you tend to see companies doing now are joint ventures," Zittrain said. "They do 49 percent and the Chinese companies do 51 percent and that gives (the Western company) denial-ability for what happens."

In the interview, the Baidu chief executive also said he is positioning the company for global expansion. Company representatives have a virtual blank check to hire valley engineers who specialize in areas such as search, computer infrastructure and systems architecture at a job fair Saturday in Milpitas, Calif.

"We don't have a cap," said Li, a former Mountain View, Calif., resident who was a Silicon Valley entrepreneur in the 1990s before returning to China. "As long as we can find great engineers, we can afford them. Our challenge is that we can't find enough engineers. We are not limited by budget."

Baidu is among a growing number of successful Chinese companies looking beyond the country's border. Marquee Chinese companies -- from China Mobile to Internet giant Tencent -- have opened offices in the [Silicon Valley](#). While Li said Baidu has no immediate plans to

establish an outpost here, he clearly is eying the global market.

"Ten years from now, I hope Baidu becomes a global technology powerhouse," said Li, who is attending this year's Sun Valley Conference, the annual gathering of major business, political and cultural figures in Idaho that started Tuesday. It was the first time a Chinese CEO had been invited.

"Right now we are in China and Japan," he said. "Five to 10 years down the road, I would not be surprised if we are in a few dozen markets. China is a big enough market that we can use the money we make there to fund our expansion."

(c) 2010, San Jose Mercury News (San Jose, Calif.).

Distributed by McClatchy-Tribune Information Services.

Citation: Baidu CEO: To make it in China, play nice with the government (2010, July 9)
retrieved 27 April 2024 from <https://phys.org/news/2010-07-baidu-ceo-china-nice.html>

<p>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.</p>
--