

Xinhua, China Mobile announce search venture

August 12 2010, By JOE McDONALD , AP Business Writer

(AP) -- The state-run Xinhua News Agency said Thursday it will launch its own search venture, giving Google a new, well-financed rival following the closure of its China-based Web search engine.

In a two-sentence dispatch, Xinhua said it signed a framework agreement Thursday with China Mobile Ltd., the world's biggest phone carrier by subscribers, to set up a search and international media company. It said work has reached a "substantive operation" stage.

The dispatch did not say whether the venture was aimed at the Internet or at mobile phone-based search. China is the most populous market for both, with 420 million Web users and more than 600 million mobile phone accounts.

Xinhua's External Relations Department referred questions to an editor who prepared the dispatch. She declined to give more details and would give only her surname, Hu.

The communist government is trying to build up Chinese technology industries and at the same time is giving Xinhua and other state media billions of dollars to expand their presence in foreign markets.

The venture might be a new threat to [Google](#) Inc.'s China market share, which has declined since the U.S. company closed its mainland [search engine](#) in March to avoid cooperating with Beijing's Web censorship.

Mainland Web surfers can use Google's Chinese-language Hong Kong site but some are defecting to local rivals such as [Baidu](#) Inc., which operates China's most popular search engine.

Google's market share in China fell from 30.9 percent in the first quarter to 24.2 percent in the three months ending June 30, according to Analysys International, a research firm in Beijing. Baidu's share rose from 64 percent to 70 percent.

In the more fragmented Chinese mobile search industry, Google has a 12.3 percent market share to Baidu's 34.3 percent. Another Chinese rival, Easou.com, also is ahead of Google with 16.9 percent.

Following the market shakeup, "the timing for [China Mobile](#) and Xinhua to set up a search engine is pretty good," said Ren Yanghui, who follows the industry for Analysys.

The venture could have good long-term prospects due to Xinhua's large news report and China Mobile's vast subscriber base, Ren said. But he said developing technology and a loyal following will be difficult and time-consuming.

"It's unrealistic to think they could squeeze out Baidu or Google," Ren said. "They are going to start small."

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