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How western web groups thrive in China

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Veteran dissident Liu Xiaobo is one of China's most articulate advocates of internet freedom. He is also more affected than most by its absence.

A web search for the characters of Mr Liu's name using Google's Chinese language service in the US, for example, yields more than half a million links to items outlining the liberal views that have thrice landed him in jail and re-education camps. But a decision by Google of the US to censor its new China-based service means the same search there yields a paltry 19,000 web links – and many of those refer to less prominent namesakes.

To Mr Liu, the removal of politically sensitive results from Google.cn means the company that famously espouses a policy of “do no evil” has joined with Yahoo, the US portal and Microsoft, the software giant, in undermining the cause of liberty in China. “The actions of these big US companies . . . is doing very great harm to the development of greater freedom on the Chinese internet,” he protests.

That is not how it looks to Eric Schmidt, Google chief executive. Challenged about the company's decision to censor itself, Mr Schmidt insists curtly: “This is the best thing for Chinese internet users.” He adds that he is well placed to know since he has spoken to a lot of them himself.

The cultural chasm that divides Chinese liberal reformers and Californian internet pragmatists highlights a wider debate about the ethics of international internet companies' operations in authoritarian countries. It is one that has implications both for internet users in China and for the global reputations of some of the world's biggest brands. Today the controversy moves to Capitol Hill, where the companies will be called to defend their stance before a congressional committee (see below).

.....> The self-styled idealists at Google are likely to express a utilitarian view of the world when questioned about their dealings with China. Their goal, they will be anxious to stress, is the greatest good for the greatest number.

US presses China to ease curbs on internet

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Jerry Yang, the equally idealistic co-founder of Yahoo and architect

.....> of that company's strategy in Asia, has also caught the pragmatism bug. "We believe in engagement on a global basis," the internet company declared this week in a statement of principles intended to counter criticism of its Chinese activities.

Yet for all the warm words, opponents contend the companies have exhibited an uncomfortable degree of moral relativism. "The greater good does not necessarily trump the rights of individuals," says George Brenkert, director of the Georgetown Business Ethics Institute. "I think any company has not only to be aware of obvious consequences of its behaviour but also to try to anticipate unintended consequences." For Google, that includes a descent into self-censorship, in which the company has one eye on the likely response from Beijing when deciding what search results to include.

But, as Mr Liu himself stresses, the results of operating in China can be much more serious than mere exclusion from a search result list. For Yahoo, they have involved assisting in the prosecution and jailing of at least two people who questioned the actions of China's ruling Communist party. For Microsoft, it has meant banning or restricting access to politically suspect blogs and censoring the content of millions more.

The companies say the complaints of human rights activists and anti-Beijing voices in the US are simplistic and do not reflect the realities of working in China. "The utilitarian calculus becomes more complex the more you learn about China," says a senior executive at one US internet group. The companies argue that any such calculus should include the recognition that they are bringing more information and freer communications to millions of Chinese people.

Indeed, many internet users in China have embraced Google, Yahoo and Microsoft's MSN portal. Amy Zhu, a business studies undergraduate in Beijing, says government blocks mean she is often unable to visit sites recommended by foreign friends but she does not object to foreign companies compromising with Beijing. "I'm used to this kind of thing in China," Ms Zhu says. She adds wryly: "This is one of China's 'special characteristics'."

.....> Other local users believe some level of state control of the internet is justified. Curbs on pornography, for example, are widely supported. And Beijing's insistence that foreign companies respect local laws also strikes a chord with many Chinese.

Gates defends
Microsoft's actions in
China

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.....> But other web surfers are deeply disappointed that foreign companies are bowing to Beijing. "It's absolutely wrong for these multinationals to do this," says a Confucius-quoting manager at a big Chinese company. "Would the directors of MSN be happy if someone restricted their view of things? In China we have a saying: 'Do not do unto others what you would not have them do unto you'."

It is also easy to see why some see the ethical arguments of Mr Schmidt and his peers as cover for mercantile motives. With more than 100m internet users, China is clearly too important for the world's biggest online companies to ignore. It is one of the few countries in the world where the US companies do not already dominate. Wary of censorship, and with market access restricted by Beijing regulators, they ceded the online news and portal business to local Chinese competitors early on.

Domestic companies also dominate online games and instant messaging. In the search business, one American executive says the foreigners are losing ground to the rival – Nasdaq-listed but locally based – Baidu.com. While that may help explain why Google and its peers are willing to compromise, the companies reject the imputation of base motives, insisting they can do more for free speech if they operate within the “Great Firewall”.

Local Chinese companies are “dramatically more active” when it comes to self-censorship, says one American internet executive. “There’s nothing the Chinese government would like more than for [the US] companies to fade away and be replaced by Baidu.”

> Such arguments may have merit. Google.cn is the only search engine that has a policy of letting users know when their results have been censored. And Mr Liu points out that while Google.cn cuts most web links that refer to him, Baidu returns no results for any Liu Xiaobo at all.

But other foreign companies seem uninterested in testing Beijing’s limits. MSN’s Chinese blog service, for example, appears to have more outright blocks on sensitive topics such as Taiwan independence or the Falun Gong sect than local rivals. And Alibaba, the Chinese company that now operates Yahoo’s local business, has made clear it plans to avoid any content that might upset party commissars.

To judge by their recent pronouncements, the internet companies agree that, when it comes to dealing with the Chinese authorities, they need to take a more rigorous stance than they have in the past. Microsoft and Yahoo, for instance, have both said that they will in future hand over information or block internet sites on their services only when legally compelled to do so. Users say MSN recently rescinded its ban on the use in blog topic names of the words “freedom” and “democracy”.

However, it is unclear whether such an approach can be credible, given that China’s legal system is opaque, incomplete and often ignored by officials.

Faced with criticism about their engagement with China, internet companies respond that their technology will eventually help create freer communications and information services in the country by building links between individuals and groups.

According to this argument, an explosion in the use of digital communications – including instant messaging, texting, e-mail and blogging – has already unleashed a deluge of information that has gone far beyond the reach of the authorities to control. Certainly the internet is easily the most free public space in China and computer-savvy Chinese can often find a way around the government’s website blocks.

Yet the Chinese state’s system of censorship and surveillance extends to all forms of electronic communications and has been proving surprisingly effective at blunting the potentially liberating impact of the technology.

Even instant messaging falls within the long reach of the censors: the software that Chinese users download from Skype and Tom Online, its partner in China, blocks messages that contain words the authorities deem undesirable. Police have also been able to track down mobile phone users accused of sending text messages that might undermine social stability.

Activists accuse western companies of helping build the technical infrastructure for operating such sophisticated controls and experts say China will benefit from the next generation of technology.

“The pendulum is shifting in favour of increased censorship and surveillance,” says Nart Villeneuve, an expert in internet censorship from the University of Toronto. “The technologies are getting better and countries [that apply censorship] are designing their systems with filtering in mind.”

So are foreign internet companies actually doing evil by working in China? Critics say that by collaborating with Beijing the internet companies will help to sustain China’s internet controls.

Had they stayed outside, they could have worked to defeat the firewall that insulates the country’s internet users and might eventually have shamed the state into relaxing its censorship, maintains Danny O’Brien, activism co-ordinator of the Electronic Frontier Foundation, a US pressure group.

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Mr Liu insists that Beijing officials struggling to manage the huge and difficult transition to a globalised market economy need companies such as Yahoo, Microsoft and Google at least as much as the US groups need access to China. “If the three of them together said ‘no’ to China’s government then I don’t think there would be much the government could do,” he says.

Mr Brenkert of the Georgetown Business Ethics Institute says that having decided to operate in China, internet companies should limit their activities to areas that do the least damage. Google has shown greater self-restraint than rivals by not offering its blogging or communications services in China out of concern for the privacy of potential users, Mr Brenkert says. And while Microsoft maintains e-mail on its Hotmail servers in the US, out of the reach of local authorities, Yahoo’s siting of e-mail servers inside China has left it in the most controversial position.

But calls for a nuanced approach raise a fundamental question: how great a violation of human rights would it take for the internet companies to decide that they could no longer remain in China? “If something were to happen, at what point is Yahoo or Google prepared to say, this is too far?” asks Mr Brenkert. “If they don’t have that in mind, there is a significant deficit in their business ethics model.”

Alongside that moral debate, international internet companies will also have to weigh the reputational implications of their strategies. Criticism of their conduct has already hurt the images of Yahoo, Google and MSN. And bowing too low to Beijing could have implications for their bottom lines, even in China.

“If these companies work in concert with the Chinese government’s controls then I will not use their products or services since they won’t be supplying the full picture,” says Leng Xiangjun, manager of an online baby goods store.

The rejection of online restrictions by ordinary Chinese boosts the confidence of activists that progress towards a more liberated internet is inevitable – even without the help of international companies.

That does not mean Liu Xiaobo is ready to forgive them for compromising, however. “I have already cancelled my two Yahoo e-mail accounts,” he says. “So have many of my friends.”

Guidelines assessed for corporate America

Internet and technology executives who have been called today to Capitol Hill to defend their companies’ practices in China will have to endure finger-pointing and name-calling by Washington lawmakers.

But even the most ardent anti-China hawks know there is little chance that Congress will ever force US companies to abandon a country so vital both to the future of American corporations and to US foreign policy interests.

Instead, legislators, human rights activists and the companies at the centre of the debate over how US internet groups should operate in China are exploring a handful of measures that have guided corporate America through previous travails with undemocratic regimes.

Most experts acknowledge that any solution will have to involve the support of the Bush administration, which has already been urged by companies to engage more effectively with Beijing on human rights issues. For their part, some internet companies argue that censorship by Beijing acts as a restraint on trade for foreign companies trying to break into the country.

Experts who are grappling with the legal issues acknowledge that solutions that helped US companies navigate apartheid in South Africa or slave labour in Burma are not adequate models on which to base a policy for a market such as China or an industry as complex as the internet.

Nart Villeneuve of the University of Toronto says the US should model its approach on the existing Foreign Corrupt Practices Act, which bars US companies from paying bribes overseas. If a similar approach were adopted, China would be forced to be more transparent about censorship if US law required American companies abroad to seek formal notice before they agreed to engage in censorship, he argues.

But one expert in Washington points out that, while the FCPA is both grounded in other US law and consistent with written law all over the world, the same global legal framework does not exist when it comes to censorship. Under the FCPA, US companies are merely “prohibited from doing exactly what the local laws prevented them from doing”.

The ethical dilemma presented to US groups seeking to do business in apartheid-era South Africa led to the Sullivan principles under which participating companies agreed to treat black and white employees equally. Yet William Reinsch, a member of the US-China Security Review Commission, says that while the Sullivan code put US companies in violation of South African law, with the authorities looking the other way, “the Chinese controls are a little different”.

Companies involved in the debate have also been examining an initiative created by the state department when Bill Clinton was US president.

Oil and mining companies, human rights organisations and the US and UK governments signed

up to the “voluntary principles on security and human rights” that were designed to guide business on how to operate in zones of conflict.

Bennett Freeman, the former deputy assistant secretary of state for democracy, human rights and labour who was the architect of the principles, says the issues facing oil and mining companies and groups such as Yahoo are “completely different”, with one exception: both deal with corporate responsibility and human rights.

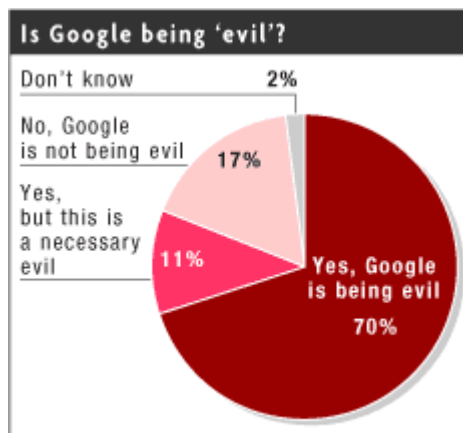
Ultimately, the internet companies are likely to have to regulate their own behaviour in China, while looking to Washington for guidelines.

‘SEARCH FOR A BETTER ANSWER’ – A FT.COM READERS’ POLL

Fans of Google took it hard when the company decided that censoring its Chinese search results was the lesser of two evils. More than 70 per cent of the so far 1,400 respondents in an online poll on FT.com disapprove.

Dr Yang Lixin, a contributor to a Chinese-language discussion on FT.com that accompanied the poll, wrote: “Google is short-sighted and has failed to live up to the role it aspired to play in the development of the global economy and information technology.”

In addition, most respondents urged companies at large to be more prudent when operating in China, in a related poll that followed Yahoo’s co-operation with Beijing in investigating dissidents. Two-thirds agreed that “companies should limit their business activities in China because of ethical considerations”.



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Readers say US internet companies are putting at risk brands that have thrived on an association with openness and free access to information. Their conduct in China appeared to clash with these principles and was “the main reason for the anger being directed at Yahoo and Google”, says S. Owuadey, one contributor to the English-language version.

They should be cautious “when acting in ways that contradict what most users and shareholders would view as appropriate”, warns another, Aran Lawrence.

Vote in the polls and read the full discussions at www.ft.com/chinaweb

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