

# Google deals in doubt amid spat with Beijing

ALEXA OLESEN - Associated Press Writer - Associated Press

China issued a blistering public attack against Google on Wednesday and appeared to quietly begin getting businesses to abandon the U.S. Internet giant after it moved its controversial Chinese search engine offshore.

The critical remarks in a high-profile Communist Party newspaper coupled with souring business deals underscored Beijing's determination to settle scores with Google Inc. after a public two-month dispute over stringent Chinese censorship policies. By challenging the often tetchy government, Google appears to have violated an unspoken rule of doing business in China, especially in the Internet industry whose control Beijing sees as crucial to maintaining its authoritarian rule.

"Everybody in the Internet space operates under the good graces of the government, and if the government's not happy with your partner, you probably are going to have to change," said T.R. Harrington, founder and CEO of Shanghai-based Darwin Marketing, which specializes in advertising for China's search engine market. "There's no upside in China, there's only downside."

Signs quickly appeared that some ties forged over Google's nearly four years operating in China were unraveling. Tianya.cn, a popular portal with 32 million registered users, said it was taking full control over social networking and question-and-answer services operated jointly with Google. A company spokesman declined to say if the government exerted pressure but said in a statement that the takeover was being done to "guarantee each product, normal business and good operations."

Industry executives said that Google's revenues were diving as companies shied away from placing new ads with the search engine. Deals with China's top two mobile companies were also in doubt.

In Hong Kong, executives with China Unicom Ltd., the listed unit of one of China's biggest mobile phone companies, hinted that it would shelve plans to offer two cell phones running Google's Android program.

Asked by reporters if the deal to offer the phones made by Motorola and Samsung was still moving forward, China Unicom chairman Chang Xiaobing said the company was "open to cooperation with all the vendors but at the same time we need to abide by the laws and regulations in China."

Publicly, Google's Tokyo-based spokeswoman Jessica Powell said it was continuing to work with Chinese business partners, even providing some of them with censored search services to abide by existing contracts.

But the souring atmosphere came only a day after Google announced that it closed its China-based search engine and began redirecting queries to its google.cn search

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engine to the uncensored google.com.hk in Hong Kong. Though part of China, Hong Kong has a semiautonomous status due to its past history as a British colony, and Google is not legally required to censor results there.

Mainland users rerouted to the Hong Kong site still come up against Chinese government Web filters — collectively known as the Great Firewall — that automatically weed out anything considered pornographic or politically sensitive before it can reach computers in China. The company's move, in effect, shifts the handling of the censorship from Google to the government.

Beijing initially seemed to shrug off Google's move. A government statement called the move "totally wrong" while a Foreign Ministry spokesman appeared to dismiss it as an isolated business case.

The People's Daily newspaper on Wednesday was more shrill, accusing Google in a front-page commentary of cooperating with U.S. intelligence forces and suggesting its decision to move its search engine to Hong Kong was a salvo by U.S. Internet warriors.

"Considering the United States' big push in recent years to prepare for Internet war, perhaps this could be an exploratory pre-dawn battle," said the commentary in the newspaper's overseas edition.

While the U.S. State Department has said it was not involved in Google's decision over its search engine, a speech by Secretary of State Hillary Clinton championing Internet freedom added to Beijing's concerns about collusion and aggravated recently tense U.S.-China relations.

Google's troubles also added to growing pessimism in the U.S. and European business community that a richer, more powerful China was less in need of foreign investment and technology. New rules to promote indigenous innovation and favor local technology in government procurement have brought protests from Western chambers of commerce in China that Beijing was closing off access to the domestic market.

Given those dynamics, Google is likely to face a tough road to rehabilitation in the China market, Chinese and foreign Internet analysts said.

"They are certainly going to suffer and they are going to be spending years rebuilding their reputation with the people who are trying to market inside of China and proving they can offer a decent service in the PRC. Trust me, they aren't walking away from this unhurt," said David Wolf, president of Wolf Group Asia, a technology marketing consultant in Beijing.

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Associated Press researcher Bonnie Cao in Beijing contributed to this report.

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