

Microsoft to stay its China course despite Google spat

(Reuters) - Microsoft said it will stick to its development strategy for the China Internet search market regardless of the outcome of Google's high-profile spat with Beijing.

Microsoft has kept a relatively low profile in China since Google announced its decision to potentially withdraw from the market over censorship issues and following an attack on its systems that it believes originated in China.

Microsoft chief executive Steve Ballmer previously said his company had no plans to pull out of China, indicating it was unlikely to follow Google's lead in challenging a Chinese system that forces Internet companies to self censor their sites on sensitive topics.

"Regardless of whether or not Google stays, we will aggressively promote our search and cloud computing (in China)," Zhang Yaqin, chairman of Microsoft's Asia-Pacific R&D Group, told Reuters on Friday, on the sidelines of the opening of the National People's Congress, China's parliament, in Beijing.

China was in consultation with Google to resolve their dispute, Minister Li Yizhong from China's Ministry of Industry and Information Technology (MIIT) said, also on the sidelines of the NPC.

A Google spokeswoman declined to confirm or deny that discussions were taking place.

"We will not be commenting on any discussions with the Chinese government," she said in a statement.

Google launched its China search site in 2006, and complies with local laws requiring censorship of certain content such as pornography and sensitive subjects such as the banned Fulun Gong spiritual movement and Tibetan independence.

Microsoft and local players, including Baidu, China's search leader, and Sohu.com, must also comply with those laws. Google controls about 31.3 percent of the Chinese Web search market, compared with 63.9 percent for Baidu, according to Analysys International.

By comparison, Microsoft is a bit player in a market that was worth 2 billion yuan (\$293 million) in the third quarter, but has high hopes there following the launch of a beta Chinese version of its highly hyped Bing search site launched last June.

"We hope to achieve a relatively important place in the China search market,"

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Zhang said. "But we must be very patient, we still need a lot of time."

Zhang added that other key development areas for Microsoft in China this year would include search and advertising platform technologies, and development of mobile platforms and cloud computing technologies.

Microsoft considers China a vital market for its Web search business, and is hoping to duplicate early progress for the U.S. version of Bing in China, the world's largest Internet market by users with more than 350 million.

Zhang added that Microsoft planned to spend about \$500 million on research and development in China this year, and another \$150 million on outsourced projects.

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