

Official: Google's China changes in line with law

JOE McDONALD - AP Business Writer - Associated Press

China renewed Google's Internet license after it pledged to obey censorship laws and stop automatically switching mainland users to its unfiltered Hong Kong site, an official said Tuesday in Beijing's first public comment on its decision.

Google Inc. said Chinese regulators warned it might lose its license if it continued automatically rerouting users to Hong Kong, a Chinese territory with Western-style civil liberties. Google complied and said July 9 its license had been renewed.

The company closed its China search engine March 22 amid a public clash over Internet censorship and started rerouting users to Hong Kong. It still offers music and other services in China.

Google promised to "obey Chinese law" and avoid linking to material deemed a threat to national security or social stability, said Zhang Feng, an official of the Ministry of Industry and Information Technology, at a news conference.

Zhang also cited Google's planned "rectification and reform" in its June 29 renewal application, apparently a reference to the U.S. search giant's commitment to stop switching users automatically to Hong Kong.

"The rectification and reform in the annual application basically conforms to regulation," said Zhang, director of the ministry's Telecoms Development Department. Zhang gave no details but his comment appeared to confirm Google's account.

Both sides are trying to uphold their conflicting principles while protecting their economic interests.

The dispute threatened to shut Google out of China's fast-growing Internet market, the world's largest, with 420 million people online. It also would deprive Beijing of an important source of technology in an industry it is pushing hard to develop.

The communist government promotes Internet use for business and education but uses extensive controls, popularly known as the "Great Firewall," to block access to material considered subversive or pornographic.

Also Tuesday, Google said under its new license, China-based Google.cn will continue to offer music downloads, a translation service and e-commerce. The site will drop two services due to lack of user interest — one for housing-rental listings and one showing popular search topics. The company said it will end a partnership with local website Tianya to operate a social networking forum and will start its own service.

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The Hong Kong site will offer search, Google News and a service to seek advice from other users, the company said.

Even if Web surfers in mainland China use the Hong Kong search site, Beijing's controls can block them from reaching banned sites shown in their results.

Google's announcement in January that it might shut down in its China search engine because it no longer wanted to censor results prompted an outcry by Chinese users who pleaded with the company to stay. The uproar highlighted the importance of the search industry and might have increased pressure on Chinese leaders to avoid shutting Google out of the market as punishment for publicly defying them on censorship.

Google has about 30 percent of China's search market, compared with about 60 percent for its leading local rival, Baidu Inc., according to the research firm Analysys International.

Google said the closure of its China search engine and automatic switching of users to Hong Kong, a Chinese territory with Western-style civil liberties, was a proposed compromise to uphold the principle of free access to information while obeying Chinese law.

After its latest changes, Google's China site now includes a tab for users to click to be switched to Hong Kong.

"As for the question of Hong Kong, this a matter of the company's internal business conduct," said Zhang, the telecommunications official.

Industry analysts say the extra click to reach Hong Kong might prompt some users to defect to Baidu and other rivals. A decline in traffic could cut into Google's advertising revenues.

China is not yet a big moneymaker for Google, accounting for an estimated \$250 million to \$600 million of Google's projected \$28 billion in revenue this year. But industry analysts said the loss of its China platform would have hampered its ability to profit from the expected future growth of the market.

The company, based in Mountain View, California, also has a network of advertising sales offices, a research and development center and a fledgling mobile phone business.

Associated Press researcher Bonnie Cao contributed to this report.

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