



[E-Commerce Times](#) > [Business](#) > [Global](#) February 4, 2006 10:01:04 AM

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## Opponents Fume Over China's Grip on Web Firms



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**"The Chinese government wanted the cooperation of these multinationals engaged in the information industries, and they willingly cooperated," said Usha C. V. Haley, director of the Global Business Center at the University of New Haven.**

The Faustian bargains that [Google](#) (Nasdaq: GOOG) , [Yahoo](#) (Nasdaq: YHOO)  and [Microsoft](#) (Nasdaq: MSFT)  felt compelled to make with the Chinese government in order to maintain access to its vaunted market are not likely to be broken on grounds they qualify as trade barriers.

In recent weeks, the Internet  giants have come under fire from irate users and from some members of Congress -- namely the Congressional Human Rights Caucus -- for knuckling under to Chinese government demands.

They agreed to censor search results, to take down blogs offensive to the Chinese [government](#) and, in one situation, to hand over user information about an e-mail account belonging to someone accused of leaking sensitive information about the operations.

The companies themselves have been vilified -- and not necessarily unfairly. The controversy has given rise to talk of the U.S. government intervening -- not only on behalf of the big three portals, but also on behalf of other companies likely to face the same issue in the future.

By erecting such pay-to-play rules for its market, the theory goes, China is violating the spirit, if not the law, of free trade.

### **Interesting Theory ...**

At face value, it is an interesting theory, Frank Pasquale, a professor at Seton Hall Law School in New Jersey, told the E-Commerce Times. A country that participates in the World Trade Organization -- which China has joined, with much fanfare -- must maintain a certain level of openness in its investment and trade laws that cannot be unduly burdensome.

"Certainly, it could be argued by one of these companies that what China is asking them to do is as much of a barrier," he said.

### **... Down the Road**

However, the technicalities of international trade law weigh in China's favor, at least for now, Pasquale goes on to say.

"Their counter-argument would likely be that their demands do not impose a burdensome cost," he explained. "The algorithms Google would have to develop [to] comply with these

requests would cost the company very little."

Appeals to other venues, such as the World Trade Organization or the Office of the U.S. Trade Representative, might work at some point in the future, Pasquale suggested. "I don't think this issue will go away. Right now, though, the U.S. and other organizations have bigger fish to fry with China."

## Commercial Solution

For the immediate term, the issue is probably best addressed in the commercial realm, he concluded. To be sure, neither China nor Google, Yahoo and Microsoft appear to think the issue needs to be addressed at all. The companies have acknowledged the outcry only in passing. Microsoft, for instance, recently developed new rules to follow when a government asks it to remove a blog.

"The Chinese government wanted the cooperation of these multinationals engaged in the information industries, and they willingly cooperated," Usha C. V. Haley, director of the Global Business Center at the University of New Haven and the author of *The Chinese Tao of Business: The Logic of Successful Business Strategy*, told the E-Commerce Times.

The U.S. government has little wiggle room to protest -- in part because these companies are operating in uncharted areas. "We are not talking about the physical import or export of goods," Haley noted.

Consumer outcry -- especially if the Chinese government's demands become more outrageous -- might have an impact, she continued. Conceivably, the government could ask Google, Yahoo or MSN for the individual IP addresses of Chinese nationals looking at Web sites in the United States.

"This is a question that I think will be looked at again and again, both in the court of public opinion and among legislators," she said. "How far are these companies willing to go to satisfy China?" 

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