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Google, Citing Attack, Threatens to Exit China

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This article was reported by Andrew Jacobs, Miguel Helft and John Markoff and written by Mr. Jacobs.

BEIJING — Google said Tuesday that it would stop cooperating with Chinese Internet censorship and consider shutting down its operations in the country altogether, citing assaults from hackers on its computer systems and China's attempts to "limit free speech on the Web."

The move, if followed through, would be a highly unusual rebuke of China by one of the largest and most admired technology companies, which had for years coveted China's 300 million Web users.

Since arriving here in 2006 under an arrangement with the government that purged its Chinese search results of banned topics, Google has come under fire for abetting a system that increasingly restricts what citizens can read online.

Google linked its decision to sophisticated cyberattacks on its computer systems that it suspected originated in China and that were aimed, at least in part, at the Gmail user accounts of Chinese human rights activists.

Those attacks, which Google said took place last week, were directed at some 34 companies or entities, most of them in Silicon Valley, California, according to people with knowledge of Google's investigation into the matter. The attackers may have succeeded in penetrating elaborate computer security systems and obtaining crucial corporate data and software source codes, though Google said it did not itself suffer losses of that kind.

While the scope of the hacking and the motivations and identities of the hackers remained uncertain, Google's response amounted to an unambiguous repudiation of its own five-year courtship of the vast China market, which most major multinational companies consider crucial to their growth prospects. It is also likely to enrage the Chinese authorities, who deny that they censor the Internet and are accustomed to having major foreign companies adapt their practices to Chinese norms.

The company said it would try to negotiate a new arrangement to provide uncensored results on its search site, google.cn. But that is a highly unlikely prospect in a country that has the most

sweeping Web filtering system in the world. Google said it would otherwise cease to run google.cn and would consider shutting its offices in China, where it employs some 700 people, many of them highly compensated software engineers, and has an estimated \$300 million in annual revenue.

Google executives declined to discuss in detail their reasons for overturning their China strategy. But despite a costly investment, the company has a much smaller share of the search market here than it does in other major markets, commanding only about one in three searches by Chinese. The leader in searches, Baidu, is a Chinese-run company that enjoys a close relationship with the government.

Google executives have privately fretted for years that the company's decision to censor the search results on google.cn, to filter out topics banned by Chinese censors, was out of sync with the company's official motto, "Don't be evil."

"We have decided we are no longer willing to continue censoring our results on google.cn, and so over the next few weeks we will be discussing with the Chinese government the basis on which we could operate an unfiltered search engine within the law, if at all," David Drummond, senior vice president for corporate development and the chief legal officer, said in a [statement](#).

Wenqi Gao, a spokesman for the Chinese Consulate in New York, said he did not see any problems with google.cn. "I want to reaffirm that China is committed to protecting the legitimate rights and interests of foreign companies in our country," he said in a phone interview.

In China, search requests that include words like "Tiananmen Square massacre" or "Dalai Lama" come up blank. In recent months, the government has also blocked YouTube, Google's video-sharing service.

While Google's business in China is now small, analysts say that the country could soon become one of the most lucrative Internet and mobile markets, and a withdrawal would significantly reduce Google's long-term growth.

"The consequences of not playing the China market could be very big for any company, but particularly for an Internet company that makes its money from advertising," said David B. Yoffie, a Harvard Business School professor. Mr. Yoffie said advertising played an even bigger role in the Internet in China than it did in the United States. At the time of its arrival, the company said that it believed that the benefits of its presence in China outweighed the downside of being forced to censor some search results here, as it would provide more information and openness to Chinese citizens. The company, however, has repeatedly said that it would monitor restrictions in China.

Google's announcement Tuesday drew praise from free speech and human rights advocates, many of whom had criticized the company in the past over its decision to enter the Chinese market despite censorship requirements.

“I think it’s both the right move and a brilliant one,” said Jonathan Zittrain, a legal scholar at Harvard’s Berkman Center for Internet and Society.

Rebecca MacKinnon, a fellow at the Open Space Institute and an expert on the Chinese Internet, said that Google had endured repeated harassment in recent months and that by having operations in China it potentially risked the security of its users in China. She said many Chinese dissidents used Gmail because its servers are hosted overseas and that it offered extra encryption.

“Unless they turn themselves into a Chinese company, Google could not win,” she said. “The company has clearly put its foot down and said enough is enough.”

In the past year, Google has been increasingly constricted by the Chinese government. In June, after briefly blocking access nationwide to its main search engine and other services like Gmail, the government forced the company to disable a function that lets the search engine suggest terms. At the time, the government said it was simply seeking to remove pornographic material from the company’s search engine results.

Some company executives suggested then that the campaign was a concerted effort to stain Google’s image. Since its entry into China, the company has steadily lost market share to Baidu.

Google called the attacks highly sophisticated. In the past, such electronic intrusions have either exploited the practice of “phishing,” to persuade unsuspecting users to allow their computers to be compromised, or exploited vulnerabilities in software programs permitting the attacks to gain control of systems remotely. Once they have taken over a target computer, it is possible to search for specific documents.

People familiar with the investigation into the attacks said they were aimed at source code repositories at high-tech companies. Source code is the original programmer’s instructions used to develop software programs and can provide both economic advantages as well as insight into potential security vulnerabilities.

In its public statement Google pointed to a United States government report prepared by the United States-China Economic and Security Review Commission in October and an investigation by Canadian researchers that revealed a vast electronic spying operation last March.

The Canadian researchers discovered that digital documents had been stolen via the Internet from hundreds of government and private organizations around the world from computer systems based in China.

Andrew Jacobs reported from Beijing, and Miguel Helft and John Markoff from San Francisco. David Barboza contributed reporting from Shanghai, and Jonathan Ansfield from Beijing.

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