

**Testimony before the U.S.-China Economic and Security  
Review Commission:**

**“China’s Information Control Practices  
and the Implications for the United States”**

June 30, 2010

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Thank you, Commissioners Cleveland and Fiedler, for the opportunity to testify today. I am Rebecca MacKinnon, currently a visiting fellow at Princeton University’s Center for Information Technology Policy. In September I will join the New America Foundation as a Senior Fellow, focusing on the Internet, foreign policy, and human rights. From 1992-2001 I worked as a journalist for CNN in China. Over the last six years I have researched Chinese Internet censorship while based at several different universities. I am now on the Board of Directors of the Global Network Initiative, a multi-stakeholder initiative that aims to help Internet and telecommunications companies uphold the principles of free expression and privacy around the world.

My testimony focuses on the role of Baidu, China’s leading search engine, in implementing and legitimizing China’s elaborate and multi-layered system of Internet censorship. I will conclude with some thoughts about American private sector complicity in this system, given that Baidu has been publicly traded on the NASDAQ since 2005, and like many other Chinese Internet companies received substantial startup capital from American investors.<sup>1</sup>

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<sup>1</sup> For an overview of global Internet censorship trends and analysis of corporate complicity in censorship and surveillance, please see my 2010 testimony before the Senate Judiciary Committee (March 2) at: [http://judiciary.senate.gov/hearings/testimony.cfm?id=4437&wit\\_id=9152](http://judiciary.senate.gov/hearings/testimony.cfm?id=4437&wit_id=9152) and the House Committee on Foreign Affairs (March 10) at: <http://www.internationalrelations.house.gov/111/mac031010.pdf>. For analysis of Chinese Internet censorship and surveillance and general policy recommendations, please see my testimony submitted to the Congressional Executive Commission on China (March 24), at: <http://www.cecc.gov/pages/hearings/2010/20100324/mackinnonTestimony.pdf>

## **Baidu and the private sector's role in Chinese Internet censorship**

China is pioneering what I call "networked authoritarianism."<sup>2</sup> Compared to classic 20<sup>th</sup> century authoritarianism, this new form of Internet-age authoritarianism embraces the reality that people cannot be prevented from accessing and creating a broad range of Internet content. Networked authoritarianism accepts a lot more give-and-take between government and citizens than a pre-Internet authoritarian regime. The regime uses the Internet not only to extend its control but also to enhance its legitimacy. While one party remains in control, a wide range of conversations about the country's problems rage on websites and social networking services. The government follows online chatter, and sometimes people are even able to use the Internet to call attention to social problems or injustices, and even manage to have an impact on government policies. As a result, the average person with Internet or mobile access has a much greater sense of freedom – and may even feel like they can influence government behavior – in ways that weren't possible under classic authoritarianism. It also makes most people a lot less likely to join a movement calling for radical political change. Meanwhile, the government exercises targeted censorship, focusing on activities that pose the greatest threat to the regime's power. It also devotes considerable resources to seeding and manipulating the nation's online discourse about domestic and international events.<sup>3</sup>

Thus while 400 million Chinese people are finding their lives greatly enhanced by the Internet, Communist Party control over the bureaucracy and courts has strengthened. The regime's institutional commitments to protect the universal rights and freedoms of all its citizens have weakened.<sup>4</sup> According to a recent report by the Dui Hua Foundation, in 2008 arrests and indictments on charges of "endangering state security" – the most common charge used in cases of political, religious, or ethnic dissent – more than doubled for the second time in three years.<sup>5</sup>

The Chinese government made clear in its recent Internet White Paper that the rapid, nationwide expansion of Internet and mobile penetration is a strategic priority. The development of a vibrant indigenous Internet and telecommunications sector is critical

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<sup>2</sup> Rebecca MacKinnon, "China's Internet White Paper: networked authoritarianism in action," *RConversation*, June 15, 2010, at: <http://rconversation.blogs.com/rconversation/2010/06/chinas-internet-white-paper-networked-authoritarianism.html>

<sup>3</sup> See Kathrin Hille, "How China polices the internet," *Financial Times*, July 17, 2009 at: <http://www.ft.com/cms/s/2/e716cfc6-71a1-11de-a821-00144feabdc0.html> and David Bandurski, "China's Guerilla War for the Web," *Far Eastern Economic Review*, July 2008, at: <http://www.feer.com/essays/2008/august/chinas-guerrilla-war-for-the-web>

<sup>4</sup> 2009 Annual Report, Congressional-Executive Commission on China, at: <http://www.cecc.gov/pages/annualRpt/annualRpt09/CECCannRpt2009.pdf>

<sup>5</sup> "Chinese State Security Arrests, Indictments Doubled in 2008," *Dui Hua Human Rights Journal*, March 25, 2009, at: <http://www.duihua.org/hrjournal/2009/03/chinese-state-security-arrests.html>

for China's long-term global economic competitiveness.<sup>6</sup> At the same time, Chinese companies are fully expected to support and reinforce domestic political stability, and to ensure that Internet and communications technologies (ICT's) will not be used in a manner that threatens Communist Party rule.<sup>7</sup>

Globally, the Internet is rapidly evolving away from personal computers and onto mobile devices, appliances, and vehicles, with the most rapid rate of growth in Internet and mobile in Africa and the Middle East. The Chinese government's strategy is for Chinese companies to be leaders in mobile Internet innovation, particularly in the developing world. Last year, Premier Wen Jiabao spoke on multiple occasions about the importance of "the Internet of things," encouraging breakthroughs by Chinese companies in what the government has designated as a "strategic industry."<sup>8</sup> Of course, innovations by Chinese companies are expected to be compatible with the needs and requirements of an authoritarian state.

Baidu and all other Internet and communications technology companies operating in China – regardless of where their investment comes from or where they are headquartered - are vital components of China's networked authoritarianism. The system cannot work without their active participation. As one of China's leading Internet companies, Baidu is expected to be a leading force in "harmonious" innovation. Last November in Beijing, I attended the 2009 China Internet Conference at which Baidu CEO Robin Li and nineteen other Chinese Internet company executives received the government's "China Internet Self-Discipline Award" for fostering "harmonious and healthy Internet development." In the Chinese regulatory context, "healthy" is a euphemism for "porn-free" and "crime-free." "Harmonious" implies prevention of activity that would provoke social or political disharmony. In other words, the "Self-Discipline Award" is China's annual censorship award for companies. At recent event convened by Bo Xilai, the Communist Party Secretary of Chongqing and a rising star in China's next generation of leaders, Robin Li was one of 24 Internet executives who sang revolutionary songs and pledged to promote "red culture."<sup>9</sup>

While China's system for blocking overseas websites – popularly known as the "Great Firewall of China" – receives a great deal of attention from the U.S. media, politicians, and policymakers, website blocking is only the first layer of China's Internet censorship system. The Chinese government does not have legal jurisdiction over people and businesses who create and run websites outside of China. Authorities can only censor such sites by blocking them from view by people inside China. This form of censorship is

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<sup>6</sup> Information Office of the State Council of the People's Republic of China, *The Internet in China*, June 8, 2010, at: [http://china.org.cn/government/whitepaper/node\\_7093508.htm](http://china.org.cn/government/whitepaper/node_7093508.htm)

<sup>7</sup> David Talbot, "China: Our Internet is Free Enough," *Technology Review*, June 16, 2010 at: <http://www.technologyreview.com/web/25592/page1/>

<sup>8</sup> Richard McManus, "Chinese Premier Talks Up Internet of Things," *ReadWriteWeb*, January 19, 2010, at: [http://www.readwriteweb.com/archives/chinese\\_premier\\_internet\\_of\\_things.php](http://www.readwriteweb.com/archives/chinese_premier_internet_of_things.php)

<sup>9</sup> "Bo Xilai buffs credentials with Net summit Bo Xilai burnishes leadership credentials with internet summit," *South China Morning Post*

easily circumvented by special software and freely available proxy servers. For websites run by individuals or companies located inside China, however, the government has direct jurisdiction - and thus more powerful instruments of control. Government regulators create strong negative incentives (such as the threat of jail sentences or the cancellation of business licenses) for keeping certain kinds of content off the Internet. When undesirable content is published by people or businesses located inside China, the government requires web companies to deploy more permanent methods of censorship: deletion of the offending content from the Internet altogether.<sup>10</sup>

In Anglo-European legal parlance, the legal mechanism used to implement such a system is “intermediary liability.” The Chinese government calls it “self-discipline,” but it amounts to the same thing. It is precisely the legal mechanism through which Baidu is required to censor its search results, and through which Google’s Chinese search engine, Google.cn, was required to censor itself until Google redirected its Chinese service offshore to Hong Kong. All Internet companies operating within Chinese jurisdiction – domestic or foreign – are held liable for everything appearing on their search engines, blogging platforms, and social networking services. They are also legally responsible for everything their users discuss or organize through chat clients and messaging services. In this way, much of the censorship and surveillance work is delegated and outsourced by the government to the private sector – who, if they fail to censor and monitor their users to the government’s satisfaction, will lose their business license and be forced to shut down. All Chinese Internet companies of any size have entire departments of employees whose sole job is to police users and censor content around the clock.

Earlier this month, a report giving Internet users a peek under the veil of secrecy surrounding corporate complicity in Chinese Internet censorship appeared on the popular Chinese website Sina.com for a few hours before – ironically – getting censored. It quoted the editor of Sina’s Twitter-like microblogging service, Chen Tong, who complained at an industry forum that the government-imposed censorship system is a “real headache” for his staff. Chen went on to describe his company’s censorship system in some detail: 24-7 policing; constant coordination between the editorial department and the “monitoring department;” daily meetings to discuss the latest government orders listing new topics and sensitive keywords that must either be monitored or deleted depending on the level of sensitivity; and finally, systems through which both editors and users are constantly reporting problematic content and bringing it to the attention of company censors.<sup>11</sup>

Baidu executives will not publicly discuss the company’s censorship system, but information about it leaks out anyway. In April 2009, an anonymous Baidu employee leaked a set of detailed documents from Baidu’s internal monitoring and censorship

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<sup>10</sup> Wen Yunchao, “The Art of Censorship,” *Index on Censorship* Vol.35, No.1, pp.53-57

<sup>11</sup> Elaine Chow, “Quote of the Day: Chen Tong, Head Editor of Sina, on the annoyance of censoring tweets,” *Shanghaiist*, June 14, 2010 at: [http://shanghaiist.com/2010/06/14/quote\\_of\\_the\\_day\\_chen\\_tong\\_head\\_edi.php](http://shanghaiist.com/2010/06/14/quote_of_the_day_chen_tong_head_edi.php); text of the original Chinese-language report at: [http://www.chinagfw.org/2010/06/blog-post\\_1263.html](http://www.chinagfw.org/2010/06/blog-post_1263.html)

department (such a department exists in all Chinese Internet companies of any size), confirming the company's long-standing reputation as industry leader not only as a search engine and online services company, but also in censoring both search engine results and user-generated content. The documents included censorship procedures, specific lists of topics and words to be censored, guidelines on how to search for information that needs to be deleted, blocked, or banned, and other internal information from November 2008 through March 2009. In addition to the standard keywords related to the banned Falun Gong religious group, Tibet independence and the Tiananmen massacre, the censorship list included: "information on various types of human rights petition," "demobilized army officers," "clashes with police," "use of force to suppress," "AIDS," names of jailed dissidents, and the names of cities where unrest had recently occurred. In addition to a search engine, Baidu offers many other social networking services including blogs as well as a very popular bulletin board-like service called "Tieba." The leaked documents contained detailed instructions about how administrators should monitor and censor taking place on Baidu Tieba.<sup>12</sup>

Baidu's search engine censorship was found in tests conducted by Human Rights Watch and the Open Net Initiative in 2006 and 2008 to be substantially more extensive and thorough than Google.cn and Microsoft's Chinese search engine.<sup>13</sup> In 2008 I conducted a comparative study examining how fifteen different Chinese blog-hosting services censored user-created content. I included Baidu's blog-hosting service. Tests showed a broad disparity in the extent to which different companies censored their users. Tests conducted on the Baidu blogging platform specifically revealed a complex system combining custom software which blocks or flags sensitive material depending on how sensitive it is, combined with an extensive human monitoring and censorship system. In a number of tests, when I tried to post politically sensitive material such as an article about the parents of students killed in Tiananmen square, or a recent clash in a remote town in Western China, Baidu's software systems would block publication of the post entirely. Other posts could be saved as drafts, but were "held for moderation" until a Baidu staffer could make a decision about whether they should be allowed. Other postings disappeared within hours after publication.<sup>14</sup>

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<sup>12</sup> Xiao Qiang, "Baidu's Internal Monitoring and Censorship Document Leaked," *China Digital Times*, April 30, 2009, Part 1 at: <http://chinadigitaltimes.net/2009/04/baidus-internal-monitoring-and-censorship-document-leaked/>; Part 2 at: <http://chinadigitaltimes.net/2009/04/baidus-internal-monitoring-and-censorship-document-leaked-2/>; Part 3 at: <http://chinadigitaltimes.net/2009/04/baidus-internal-monitoring-and-censorship-document-leaked-3/>

<sup>13</sup> *Race To the Bottom: Corporate Complicity in Chinese Internet Censorship*, Human Rights Watch (August 2006), at <http://www.hrw.org/reports/2006/china0806/>, and Nart Villeneuve, "Search Monitor Project: Toward a Measure of Transparency," Citizen Lab Occasional Paper, No.1, University of Toronto (June 2008) at: <http://www.citizenlab.org/papers/searchmonitor.pdf>

<sup>14</sup> Rebecca MacKinnon, "China's Censorship 2.0: How companies censor bloggers," *First Monday* (February 2006) at: <http://firstmonday.org/htbin/cgiwrap/bin/ojs/index.php/fm/article/view/2378/2089>;

In my research paper analyzing the results, I decided not to publish a ranked list showing which companies censored most and which companies censored least, for fear that this information could be used by authorities to punish those who were censoring less. However, it is appropriate in the context of this testimony to disclose that Baidu ranked third out of fifteen: in other words, in 2008 I found Baidu to be China's third most aggressive blog censor, behind only two other services, iFeng (a relatively small service affiliated with a Hong Kong-based TV station) and Tianya (a large and popular social networking site at the time of testing).

A publicly-listed company like Baidu is accountable to shareholders to maximize investment return. Chinese government regulators also expect Baidu to conduct its business in a manner that is consistent with China's national interests. Baidu's relationship with the Chinese government is similar to any large private-sector Chinese company whose business involves either traditional media or Internet content. Internet companies such as Baidu, which provide a range of content and information on the public Internet, must answer to the same ministries, departments, communist party offices and state security organs that regulate and control traditional media. Additionally they must answer to government regulatory bodies in charge of technology and industry.<sup>15</sup>

This is complicated by the fact that different regulators can have different interests and priorities, which sometimes conflict. If Baidu's business practices are seen to diverge from the interests and demands of a wide range of regulators, it can expect to suffer consequences that can affect its ability to gain the licenses and permissions need to expand its business into new products and platforms. Baidu's business license is subject to annual renewal, and government regulators have demonstrated that they are capable of shutting down or temporarily suspending popular web platforms – including those supported by foreign investment – if they fail to comply satisfactorily with content control requirements.<sup>16</sup>

There are indications that at least some Baidu executives find these government requirements and expectations burdensome, even distasteful. In January the *Washington Post* quoted a blog post written by Sun Yunfeng, Baidu's chief product designer, who wrote: "every enterprise or every individual must dance with shackles... This is the reality. Do as much as you can is the real attitude to have as a business or a person." His post was soon removed from his blog, but only after it had been copied to other websites.<sup>17</sup>

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<sup>15</sup> Michelle Lau, *Internet Development and Information Control in the People's Republic of China*, Congressional Research Service, November 22, 2005, at:

<http://fpc.state.gov/documents/organization/57511.pdf>

<sup>16</sup> David Kaplan, "The Mystery Of 56.com's Shutdown: Beginning Of Chinese Government Takedown Of Video Sites?" padContent.org on Washingtonpost.com, June 20, 2008 at:

<https://www.washingtonpost.com/wp-dyn/content/article/2008/06/20/AR2008062001296.html>

<sup>17</sup> Steven Mufson, "Chinese Internet search firm Baidu looks forward to life after Google," *Washington Post*, January 18, 2010 at: <https://www.washingtonpost.com/wp-dyn/content/article/2010/01/17/AR2010011702823.html>

At the same time, Baidu has been accused of practices that are un-transparent and confusing to the public at best, corrupt at worst. Paid search results are mixed in with “natural” results in a way that is difficult for the ordinary web user to distinguish.<sup>18</sup> In 2008 Chinese Central Television (CCTV) aired an investigative report alleging that unlicensed suppliers of medical products had paid for higher rankings in Baidu’s search results. Soon thereafter, according to the *New York Times*, Baidu signed a multi-million dollar sponsorship deal with CCTV.<sup>19</sup> In June 2009 CCTV aired a story attacking Google for making “vulgar” content available to Chinese youth.<sup>20</sup> Chinese Internet users soon uncovered the fact that a key interviewee featured in the report also happened to be an intern at CCTV.<sup>21</sup> While CCTV’s report focused only on Google, Chinese Internet users pointed out that Baidu’s search engine similarly exposed Chinese Internet users to plenty of “vulgar” content.<sup>22</sup>

### **Impact of Google’s departure**

In January of this year, Google announced that sophisticated cyber attacks launched from inside China against its Gmail service, combined with “attempts over the past year to further limit free speech on the web,” had caused the company to re-evaluate its 2006 decision to operate its Google.cn search engine in compliance with government censorship requirements.<sup>23</sup> After unsuccessful attempts to obtain government permission to operate Google.cn without censorship, Google re-directed its Chinese search service to Hong Kong in March 2010.<sup>24</sup>

Google’s departure has been a boon to Baidu, whose market share jumped from 58.4 percent at the end of 2009 (versus Google’s 35.6 percent) to 64 percent by the end of the first quarter of 2010 (versus Google’s 30.9 percent). Baidu is aiming for 79 percent

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<sup>18</sup> Marc van der Chijs, “Baidu’s search results turning into pure advertising,” *Shanghai Weblog*, March 25, 2010 at: <http://www.marc.cn/2010/03/baidus-search-results-turning-into-pure-advertising.html>

<sup>19</sup> David Barboza, “Baidu’s Gain from Departure Could Be China’s Loss,” *New York Times*, January 13, 2010, at: <https://www.nytimes.com/2010/01/14/technology/companies/14baidu.html>

<sup>20</sup> Edward Wong, “China Disables Some Google Functions,” *New York Times*, June 19, 2009 at: <https://www.nytimes.com/2009/06/20/world/asia/20beijing.html>

<sup>21</sup> Juliet Ye and Sky Canaves, “In Google China Flap, Accuser is Accused,” *Wall Street Journal Digits Blog*, June 22, 2009 at: <http://blogs.wsj.com/digits/2009/06/22/in-google-china-flap-an-accuser-is-accused/>

<sup>22</sup> “Regulators Target Google for Pornographic Content, CCTV Airs Fake Interview, Netizens React,” *China Digital Times*, June 20, 2009 at: <http://chinadigitaltimes.net/2009/06/regulators-target-google-for-pornographic-content-cctv-air-fake-interview-netizens-react/>

<sup>23</sup> David Drummond, “A new approach to China,” *The Official Google Blog*, January 12, 2010 at: <http://googleblog.blogspot.com/2010/01/new-approach-to-china.html>

<sup>24</sup> David Drummond, “A new approach to China: an update,” *The Official Google Blog*, March 22, 2010 at: <http://googleblog.blogspot.com/2010/03/new-approach-to-china-update.html>

market share by the end of this year and aims to achieve the same level of dominance in mobile search as with PCs.<sup>25</sup>

However, some analysts predict that the bulk of Baidu's future gains will be from China's rapidly-growing pool of novice Internet users rather than from experienced users switching loyalty. In early June, an analyst at one advertising agency observed: "Employees at Razorfish's offices in Beijing and Shanghai report that Google users are loyal, citing the accuracy and relevance Google is trusted to provide. Also, Google is necessary for searching for English-language pages in China."<sup>26</sup> This is consistent with Google's long-standing reputation for being more popular with China's white-collar cosmopolitan set while Baidu has been more successful in appealing to the tastes and needs of younger users and the broader masses.<sup>27</sup> Online writings by veteran Chinese Internet users confirm this view. One Chinese blogger and software engineer recently described his experience on both Baidu and Google, searching for information that would help him fix a computer hardware problem. Baidu returned a mix of paid promotional links and largely outdated websites. Google provided results that were helpful in resolving his technical problem – though he had to use circumvention software to conduct the search because the technical terms he was searching for happened to contain Chinese characters which also appear in top leaders' names, causing the entire page to be blocked by the network.<sup>28</sup>

Redirecting its search service offshore has thus made using Google a little more difficult for Chinese Internet users who have come to prefer and trust it more than Baidu. When Google.cn operated inside China and directly censored sensitive content, most users were not personally inconvenienced by the censorship because they could usually get at least some useful results without having to do extra work to obtain them. Now that Google has moved its Chinese search offshore to Hong Kong, Google is not censoring any politically sensitive content but users must conduct their search queries across the "great firewall," causing many searches to be blocked altogether, and bringing the Chinese government's Internet censorship practices into much starker relief. While Google began offering encrypted search last month – enabling the censorship to be bypassed – only China's most technically sophisticated users are presently aware of this feature, and it could take some time before large numbers of users learn of it, and learn how to use it.

In late June, Google announced that the automatic re-direction from Google.cn to Google.com.hk was unacceptable to Chinese regulators. In an attempt to appease

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<sup>25</sup> "Baidu aims for mobile search to match PCs," Reuters, June 8, 2010 at: <http://www.reuters.com/article/idUSSGE65909620100610>

<sup>26</sup> "Baidu Grows, But Google Will Keep a Share of Search in China," *Razorfish Search Shots*, June 10, 2010 at: <http://razorfishsearch.com/2010/06/10/baidu-grows-but-google-will-keep-a-share-of-search-in-china/>

<sup>27</sup> Normandy Madden, "Why Google Wasn't Winning in China Anyway," *Silicon Alley Insider*, January 15, 2010 at: <http://www.businessinsider.com/why-google-wasnt-winning-in-china-anyway-2010-1>

<sup>28</sup> Joel Martinsen, "Baidu vs. Google: in search of accessible, useful results," *Danwei*, May 24, 2010, at: [http://www.danwei.org/internet/baidu\\_vs\\_google\\_useful\\_results.php](http://www.danwei.org/internet/baidu_vs_google_useful_results.php)

regulators and remain technically within the bounds of Chinese law, Google created a static landing page at Google.cn. Users could reach the uncensored Hong Kong-based search engine by clicking anywhere on the page. As of this writing it is unclear whether this move will satisfy authorities enough to renew Google's operating license so that it can retain other non-search business operations in China.<sup>29</sup>

Industry analysts have observed that Google's re-direction and continued troubles decrease the likelihood Baidu will end its widely-criticized practice of mixing paid and natural search results. They also point out that the price of advertising on Baidu has already skyrocketed – which in turn adversely affects the ability of smaller Chinese companies to attract business.<sup>30</sup> Some Internet industry veterans like Edward Tian – known as the “father of Chinese broadband – have even warned publicly that Google's departure bodes ill for China's competitive environment and for Chinese web innovation.<sup>31</sup> On the other hand, domestic competition is emerging: Last week the People's Daily recently launched a new search engine, touted as an “authoritative” service “providing trusted search results” - which according to early tests are heavily censored.<sup>32</sup> Another internationally listed company, Tencent Holdings, is beefing up its own search engine, Soso. The Xinhua News Agency and China Central Television (CCTV) are also rolling out search engines.<sup>33</sup>

Google and Microsoft, whose Bing search engine continues to censor search results in mainland China, are both members of the Global Network Initiative, a multi-stakeholder initiative to uphold base-line principles of free expression and privacy on the Internet.<sup>34</sup> Google chose to adhere to the GNI principles by moving its search service offshore to Hong Kong. Microsoft has opted to stay in China, but has pledged to work for change through engagement.<sup>35</sup> It remains to be seen whether Microsoft's efforts will have much impact on government policies or industry censorship practices given its tiny share in China's search market.

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<sup>29</sup> David Drummond, “An update from China,” *The Official Google Blog*, June 28, 2010 at: <http://googleblog.blogspot.com/2010/06/update-on-china.html>

<sup>30</sup> Sarah Lacy, “How the Chinese Internet Needs to Up Its Game,” *TechCrunch*, June 14, 2010 at: <http://techcrunch.com/2010/06/14/how-the-chinese-internet-needs-to-up-its-game/>

<sup>31</sup> “Edward Tian: Google Is China's Best Tool for Understanding the West,” *China Digital Times*, April 15, 2010 at: <http://chinadigitaltimes.net/2010/04/edward-tian-google-is-chinas-best-tool-for-understanding-the-west/>

<sup>32</sup> Jessica Beaton, “Goso.cn: ‘The people's search engine’,” *CNN.com* June 22 2010 at: <http://www.cnn.com/shanghai/life/gosocn-peoples-search-engine-258424>

<sup>33</sup> Mike Clendenin, “Baidu Challenged for China Search Dominance,” *InformationWeek* June 29, 2010 at: [http://www.informationweek.com/news/hardware/data\\_centers/showArticle.jhtml?articleID=225701765&subSection=All+Stories](http://www.informationweek.com/news/hardware/data_centers/showArticle.jhtml?articleID=225701765&subSection=All+Stories)

<sup>34</sup> See: <http://globalnetworkinitiative.org> and <http://www.globalnetworkinitiative.org/principles/index.php>

<sup>35</sup> Steve Ballmer, “Microsoft & Internet Freedom,” *The Official Microsoft Blog*, January 27, 2010, at: [http://blogs.technet.com/b/microsoft\\_blog/archive/2010/01/27/microsoft-internet-freedom.aspx](http://blogs.technet.com/b/microsoft_blog/archive/2010/01/27/microsoft-internet-freedom.aspx)

## **Role and responsibility of American investors**

The question is: Even as government censorship requirements grow increasingly onerous, dominant players solidify and expand their market positions at the expense of smaller upstarts, and the frustration of many Chinese Internet executives grows, will anybody in the Chinese business community dare to challenge the government policies and practices that have caused this situation? Or will they continue to feel that they have no choice if they want to continue making money?

As I have described in my testimony, the Chinese government has transferred much of the cost of censorship to the private sector. The American investment community has so far been willing to fund Chinese innovation in censorship technologies and systems without complaint or objection. Under such circumstances, Chinese industry leaders have little incentive and less encouragement to resist government demands that often contradict even China's own laws and constitution.

Two of Baidu's five Directors are American. U.S. investors provided much of Baidu's startup capital. U.S. institutional investors own significant stakes in the company. To be fair, American investment dollars support many businesses around the world that human rights groups and environmentalists have identified as unethical or destructive to our health and our planet. Yet in the wake of the financial crisis and the BP oil spill, it is also clear that millions of people around the world are paying an unacceptably high price for unethical – or at very least amoral – investment practices. We will not see the end of our problems unless industry and investors own up to their broader responsibilities to society and to the planet. I predict that the prospects for freedom and democracy around the world will similarly be diminished if our investments continue to support censorship and surveillance.

For the ethical investor, there are two possible responses to this problem. One is divestment from all ethically challenging situations. The other is engagement and advocacy, using financial leverage to work for positive change in industry practices and even government regulation. Such efforts often require patience and take time to bear fruit, but experience in other sectors such as mining and manufacturing show that proactive, socially responsible investment combined with advocacy and engagement can make a difference over time.

I believe the Chinese people would be worse off if all American companies and investors were to abandon the Chinese Internet. Investors who remain silent, however, should be clear about what kind of innovation they are financing. In addition to whatever product or service they set out to invest in, they are also supporting a disturbing new political innovation: networked authoritarianism.