

Editorial

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Tech companies' unsavory partners

When doing business in repressive countries, what rules should companies follow?

Yahoo co-founder Jerry Yang promised to reconsider every aspect of the underperforming company's business shortly after he took over as chief executive five months ago. So here's a question for him: How much is the company's soul worth?

To be fair, the question isn't just for Yahoo. It's for any company offering a product or service that could help any repressive government sustain its regime at the public's expense. Yahoo just happens to have transformed this abstract ethical dilemma into real human suffering by helping the government of China identify and imprison four writers and journalists for crimes against the state. After being pilloried on Capitol Hill earlier this month, Yahoo announced that it had settled a lawsuit brought by two of the writers' families and was creating a fund to help imprisoned dissidents around the world.

Other top technology and Internet companies have stumbled too in their efforts to grab a share of the rapidly growing Chinese market. For example, Google launched a Chinese version of its search engine that filters out sites and topics at the government's request. And Cisco supplies data communications equipment and training directly to the Chinese government, giving it the tools to limit the flow of information online. Such bans, filters and monitors help the government to shape what its people see, say and know.

Technology companies often defend their actions by saying that it's better to have a restricted version of the Internet than no version at all. This rationale, however, assumes that they're powerless to change the way governments approach the Internet and other communications networks. It's hard to believe that the world's most successful Internet and tech companies couldn't make a difference, especially if they all demanded the same level of respect for political speech, legal process and privacy. At least they have to try, for business as well as moral reasons. After all, the more restrictions the government imposes on legitimate speech, the less useful these companies' products become.

Yahoo's most significant move in China was to transfer its operations there to Alibaba, a Chinese Internet firm, in exchange for a 40% stake in the parent company. It was certainly a smart move financially. Yahoo's investment recently ballooned in value when Alibaba went public, making its 40% stake worth about \$3.5 billion. Even better, from Yahoo's perspective, the deal insulates the company from Chinese authorities. When the government's censors or security forces want Yahoo China to

bend to their will, Yahoo doesn't have to deal with them -- Alibaba does.

But enlisting a Chinese partner is a double-edged sword. Yahoo doesn't have operational control over the Chinese services offered in its name, yet the unit's actions can still damage its reputation. If Yahoo China's employees decide to make their own lives easier by super-serving government censors and the Communist Party, it's not clear what Yahoo could do to stop them.

Since the Alibaba deal in 2005, Yahoo has created an internal team to explore potential human rights problems before it enters a new market. And it joined Google, Microsoft and international mobile-phone titan Vodafone in an ambitious initiative to develop standards for doing business in countries with a record of human rights abuses. They have since been joined by a long list of human rights and technology advocacy groups.

Their goal is to produce a code of conduct that would force signatories to consider the implications of the moves they make -- for example, whether offering a new blogging service in China might help the government identify and jail more dissidents. It also would lay out principles for limiting censorship and protecting privacy, including a demand that governments follow formal legal procedures to obtain information about Internet users. And it would call on companies to press for ways to appeal mandated disclosures.

The group's efforts could relieve the competitive pressures that often lead companies to become complicit in political crackdowns. Still, it will only be successful if it is broadly supported. Lawmakers have been flirting for years with a proposal to regulate how Internet companies do business overseas; that prospect alone should help tech companies find their souls.

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