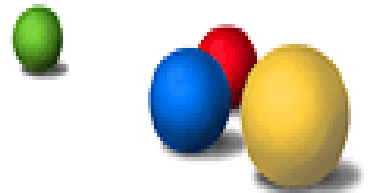




Google In China:

“Don’t Be Evil”

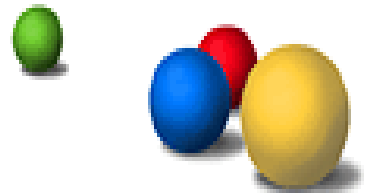
But What About the Profits?

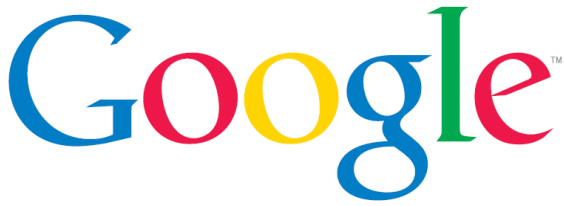




A Brief History

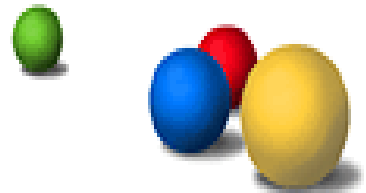
- 1998: Founded as BackRub
 - Stanford University graduate students Sergey Brin and Larry Page
 - Operated out of a friend's garage
 - Set out to revolutionize the internet
- 1999: Google had secured \$25 million in venture capital funds
 - Moved to the GooglePlex
 - 60+ employees





A Brief History

- 1999 to 2001:
 - Rapid Growth
 - Introduction of multiple products
 - Google Toolbar
 - Google Image Search
 - Froogle – Online Shopping Service
- 2001: Hired CEO Eric Schmidt
- 2004: IPO
 - Company was valued in excess of \$100 billion

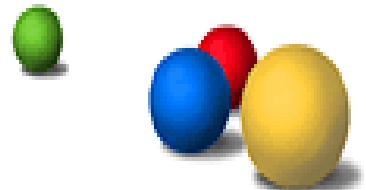




Don't Be Evil

- *“Don't be evil. We believe strongly that in the long term, we will be better served—as shareholders and in all other ways—by a company that does good things for the world even if we forgo some short term gains. This is an important aspect of our culture and is broadly shared within the company.”*

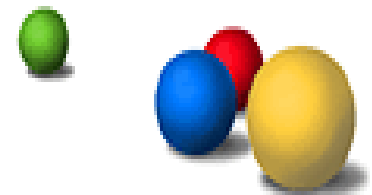
Sergey Brin and Larry Page, 2004 Founders' Letter

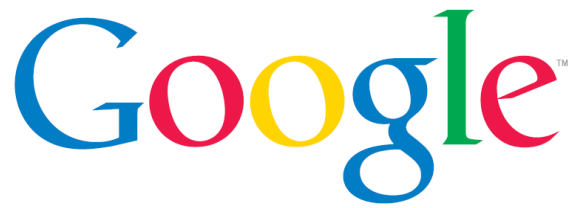




Chinese Market

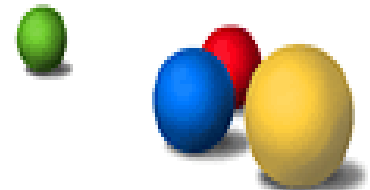
- Population of 1.3 billion
 - 111 million internet users
 - Growing at 18% per year
 - 2nd largest internet market in world
- Competitors
 - Baidu.com
 - Chinese company with 48% of market share
 - Yahoo.com/Alibaba
 - MSN





Google Today

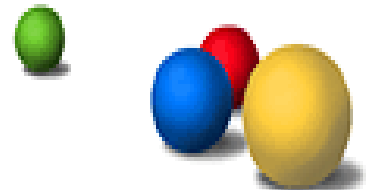
- Managed as a “triumvirate”
 - Committee of Schmidt, Page, and Brin
- 5th most popular website
 - 380 million visitors per month
 - 50% of users are international
- Growth based entirely on word of mouth
 - No advertising
 - Reputation of reliability, unobtrusive advertising, company success





Department of Justice

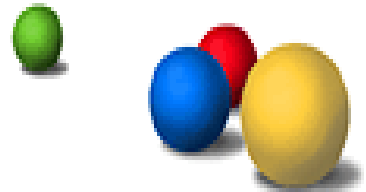
- Subpoena in December, 2005
 - Requested 1 million random search records
 - Investigation to support Child Online Protection Act
- Google refused to comply
 - Cited importance of user privacy
 - MSN and Yahoo provided records
 - Trial pending for late February, 2006



Censorship



- Previous Google presence in China on Google.com
 - Censored by government
 - Search filtering caused significant slowing of results
- New site Google.cn
 - Google provides censoring of all officially objectionable subjects
 - Dalai Lama
 - Tibet
 - No Blogs or GMail service



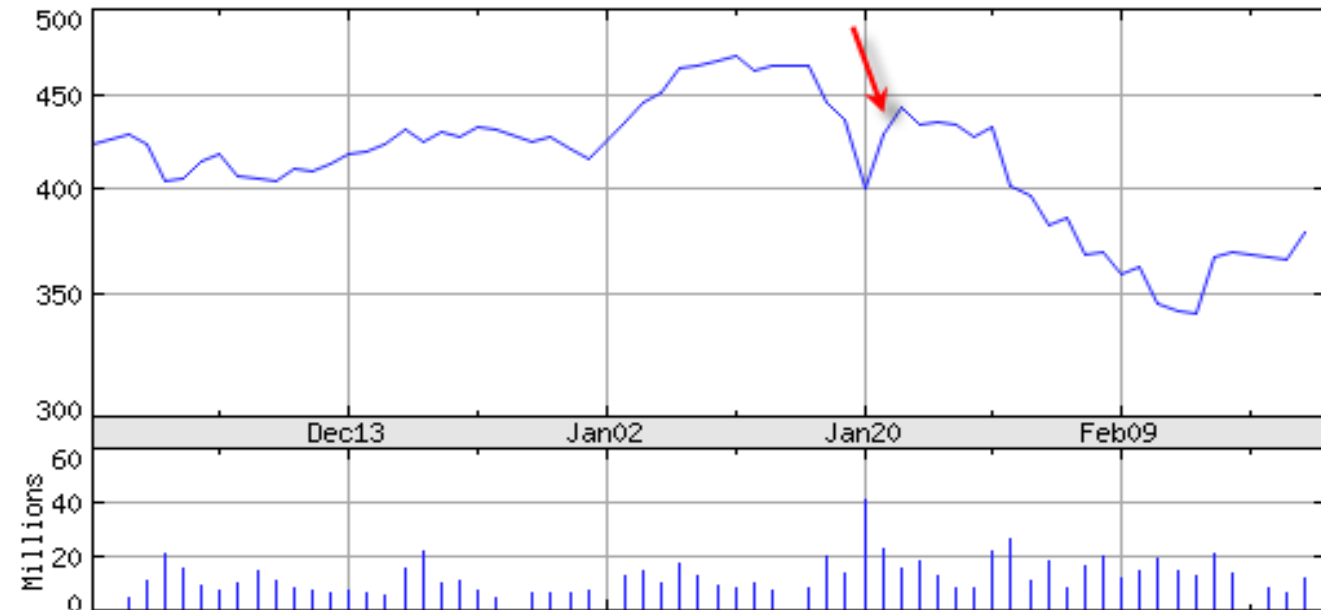
Google

让网络回归本质面

Google.cn

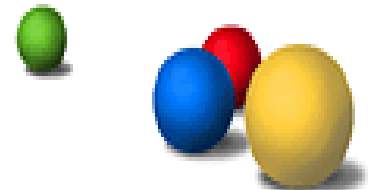
Google share price rose 3.6% in just one day with announcement of Google.cn on January 20, 2006

GOOGLE INC CL A
as of 23-Feb-2006



Copyright 2006 Yahoo! Inc.

<http://finance.yahoo.com/>





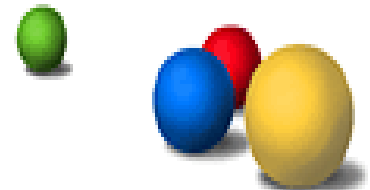
Protest

- **Reporters Without Borders**

- Press release issued January 25
- 2005 survey of press freedom
 - China ranked 159 out of 167
 - Censorship increases isolation

- **Human Rights Watch**

- Testimony before Congressional Human Rights Caucus February 1
 - Governments unable to repress information without the help of U.S. search engines
 - Proposed collaboration





U.S. Competitors

■ Yahoo

- Conviction of Chinese journalists
 - Encouraged government to regulate



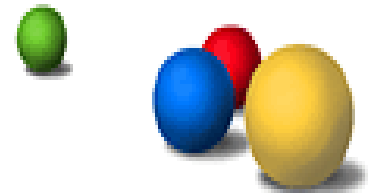
■ MSN

- Forced to close blogs
 - Policy for blocked sites
 - Claimed the ability to withhold information no longer exists



■ Cisco Systems

- Helped develop the network upgrade that enables censorship

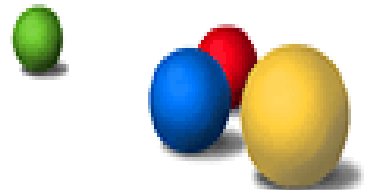




“Don’t be Evil”

- “While removing search results is inconsistent with Google’s mission, providing no information – or a heavily degraded user experience that amounts to no information – is more inconsistent with our mission.”

- Andrew McLaughlin, Senior Policy Council

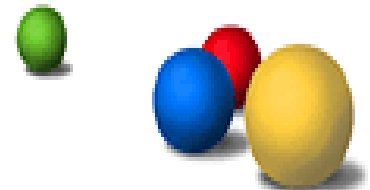




Should the Firms Take a Stand?

Congressional Human Rights Caucus

- Google, Yahoo, and Microsoft not in attendance
- Google released a statement to the Caucus
 - Not offering email, blogging, or chat rooms
 - Chinese users notified of censorship
 - Continuing to offer U.S site

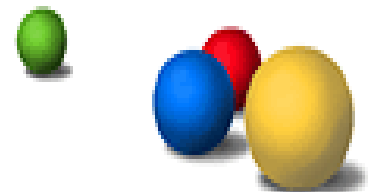




Legal Action

Congressional Hearing

- Representative Chris Smith, chairman of House Subcommittee for Global Human Rights
- Examine operating procedures of U.S. companies in China
 - Microsoft, Yahoo, Google, Cisco
 - State department officials
 - NGOs including Reporter Without Borders and Human Rights Watch



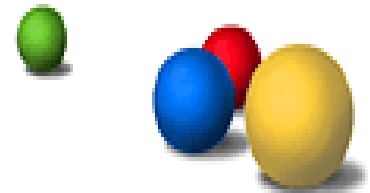


Criticism

“I believe their (U.S. search engines) performance at the hearing was worse than dismal. They were unprepared to admit to any mistake, to any shame, to any responsibilities for what their behavior had brought.”



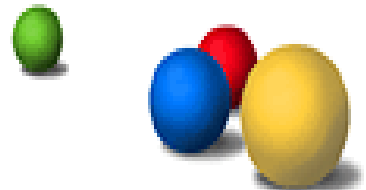
Representative Tom Lantos,
Chair, House International
Relations Subcommittee





Potential New Regulations

- Global Internet Freedom Act
 - Creation of global Internet freedom policy
 - Task force to fight international Internet jamming
- Global Online Freedom Act
 - Forbids U.S Internet companies from cooperating with, or locating servers inside countries that abuse human rights

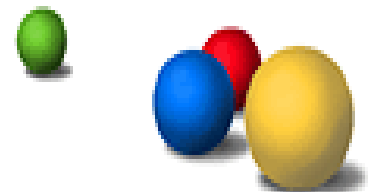
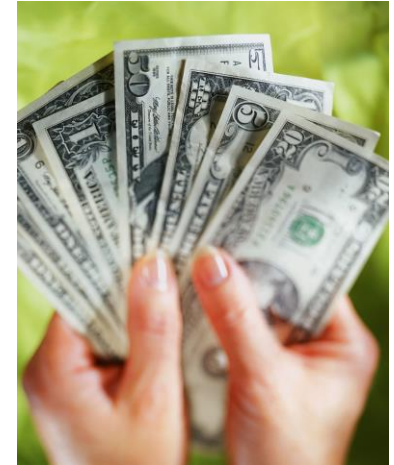


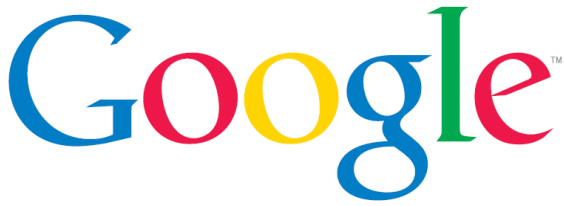


Shareholder Reaction

Volatile share price

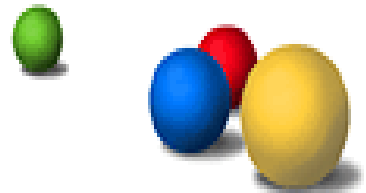
- High price of \$471.63 in mid-January
- Dropped 7.5% in response to controversy with U.S. Justice Department
- Increased 3.6% the day after the announcement to enter the Chinese market
- Dropped steadily in light of censorship controversy – low of \$342.38 on hearing date
- Increased since then - \$377.40 February 24





Under Investigation in China

- License issues
- Pressure to provide email, blogging services and to remove access to U.S. site
- Problems more political than legal

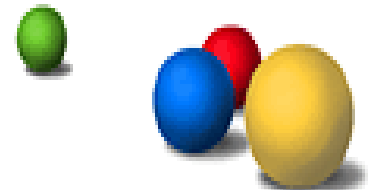




Looking Forward

Google faces many challenges

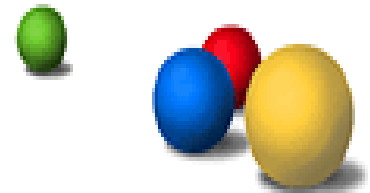
- Repair tarnished image
- Convince public that their presence in China is not contradictory to their principles
- Balance interest of American and Chinese users
- Protect the privacy of Chinese users from Chinese government





Discussion Questions

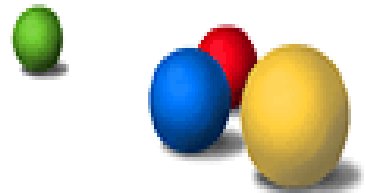
- As Google continues to grow is it possible to maintain the same corporate structure and philosophy the company was founded upon?
- Can Google remain competitive in the Chinese market without offering blogging and GMail services? If not, how can they protect themselves and their users' privacy?





Discussion Questions

- Do businesses have a responsibility to uphold human rights when entering international markets?
- What long-term implications will this decision have on Google's reputation?





Discussion Questions

- Has Google's decision compromised their business principles, or is providing some information better for the Chinese people than none at all?
- Is Google's refusal to comply with the Department of Justice investigation contradictory with cooperation with Chinese censorship policies?

