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China and Google: Searching for Trouble – Part II

The China-Google tussle is about two visions of the future, according to international trade and finance professor Jeffrey Garten. It is about openness and globalization vs. stability and nationalism. For China, the desire is to continue to lift millions of its citizens out of poverty; if such a goal entails national stability, requiring control of the internet, so be it. To Westerners, who attach great value to the rule of law and freedom of expression this might appear backwards; but with the dented Western model – poor corporate governance, the credit crisis, and a failure at Copenhagen to adopt measures to avert climate change – they don't have much of a moral high ground to stand on of late. Thus far, it seems China holds all the cards: Beijing's help is needed on Iran and North Korea, China holds a huge amount of US debt, and other companies won't want to hurt their prospects in the world's largest market by supporting Google. Globalization is likely to slow as a result. But, even if the march of interconnectedness and communication were to slow, the process is unlikely to stall. Ultimately, China will open up far more than it is willing to do so at the moment. – YaleGlobal
Advantage China for now, but it can't stop the march of globalization

Jeffrey Garten

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Happier time: Eric Schmidt (left), Google's CEO with Li Kaifu, President of Google China, during the launch in Beijing in 2006; now a separation is under consideration

China's officials, the future may be about continuing to lift hundreds of millions of people out of poverty, facilitating the rise of a rapidly growing middle class, and providing a major boost to world trade. In their eyes, an uncontrolled Internet may seem like a threat to national stability. Indeed, it seems imperative to ensure the survival of the government that rescued a nation from the devastation and misery of Mao's failed Communist Revolution. Chinese officials no doubt look at the way America's financial system imploded, its deteriorating physical infrastructure, and its problem-plagued system of secondary education, and conclude that the West no longer has the standing to define

NEW HAVEN: Google's threat to withdraw from China, on grounds that it has been the object of cyber attacks and censorship, is not the opening salvo in a battle between the future and the past. Rather, it is a battle between two equally plausible visions of the future with initial advantage on the side of China.

Granted, that's not how most people in the West see it. The gigantic Internet search engine company is, after all, the epitome of technological innovation and communication across borders that can only benefit billions around the world. In attacking Google, China, on the other hand, comes across to many Americans and Europeans as King Canute, trying to hold back the tides of progress.

From Beijing, things look much different. To

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where civilization ought to be heading.

Both Google and China share certain characteristics, too. It was only in this past decade that Google burst on the world scene with its gigantic IPO and China made its most far reaching global commitments by joining the WTO. (This month China became the world's biggest exporter surpassing Germany.) Each is feared and even considered predatory – Google by many Internet companies, China by certain segments of the US, EU and countries in its backyard.

Also, global trends reinforce both the Western and the Chinese perspective of the conflict. For example, there is ample evidence that the march of history is towards ever more politically open societies, with America and Europe having led the way in the last two centuries. On the other hand, Freedom House, a US think tank that has conducted annual global surveys on the ability of individuals to exercise political and human rights, has just reported in its 2010 survey a fourth consecutive year of deterioration in the number of functioning democracies, the longest continuous decline in human freedom in forty years.

There is a strong case to be made that more globalization, of the kind Google fosters, is inevitable. After all, for thousands of years human beings have been in the process of connecting with one another across boundaries, seeking food, goods, services, and intermingling religion, culture, and other ideas. Whether you measure global interdependence by commerce, technological exchange, immigration, or cultural interaction, the trajectory has been straight up. That said, globalization could be slowing down now. The internationalization of banking may experience some obstacles in the wake of the world-wide credit crisis, as many international financial institutions are compelled to stay closer to home. The recent fiasco in Copenhagen has set back prospects for serious cross-border cooperation on climate change. Global trade negotiations have been moribund for several years, and after a half century of leading the charge for freer trade, Washington is virtually silent on the subject.

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It has been an article of faith among most American leaders in government, finance and business that economic engagement with China will slowly, but inexorably, bend China's society towards Western values such as the rule of law and free expression. For almost three decades, the essence of that involvement has been penetration into China by international companies such as Google. Multinationals have brought Western style change in other parts of Asia – think about Japan, South Korea, Taiwan – so why not the Middle Kingdom? Surely, so the reasoning also goes, all those Chinese employees of Western firms and all those Chinese students returning from US schools will exert a powerful Western influence, too. However, for centuries the West has always failed to make the kind of inroads it expected. It's not that the Middle Kingdom doesn't incorporate foreign ideas, but that it does so in ways that suit its own needs, its own timing, and within the framework of its own culture and national priorities. What Yale historian Jonathan Spence once wrote some 40 years ago about the efforts of Western advisors in China between 1625 and 1960 is still true: "China, which once surpassed the West, then almost succumbed, now offers to the world her own solutions."

The two visions of the future – openness, globalization, Westernization, on one hand, versus controls, nationalism, and far less Anglo-American influence, on the other – must be seen in the context of certain political realities that make China's perspective far more viable than most Westerners like to admit.

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First, Washington's soaring debts and increasing reliance on loans and investments from China, plus its need for Beijing's help when it comes to preventing nuclear proliferation in Iran and North Korea, ties its hands in providing sustained and high-profile support for one of its great companies, as it surely would have in the past.

It is also a good bet that many governments who are beholden to Beijing will hold their tongues, and that a number of them – such as Russia, Saudi Arabia, Iran, Venezuela and Vietnam, plus many dozens of authoritarian governments throughout the former Soviet Union and Africa that fear the power of the Internet to be a subversive force – are rooting for Beijing. If the Google-China dispute was put to a vote in the UN, I'd bet the search-engine company would decisively lose.

Nor can Google expect very much support from other Western companies, almost

none of which would risk their prospects in China's rapidly growing market by offending Beijing.

Finally, compared to the 1980s and 90s, the luster and clout of Western multinationals have been vastly reduced, their reputations soiled by the Enrons and AIGs. Beyond that, emerging markets are producing their own corporate champions which are providing ferocious competition to their developed nation counterparts, and in many cases being savvier about serving their own populations.

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Hopefully, Google and China will find a way to settle amicably. For the foreseeable future, however, not only does Beijing hold all the cards, but could actually reinforce its authority and enhance its standing among many countries of the world by humbling Google and warning all other multinationals against challenging its political power.

Long term, which vision of the world will prevail? I'd say we'll end up with less openness and globalization. Reason: in addition to China's having the political winds in its sails, other issues such as concerns over privacy and the need to combat terrorist threats against critical cyber networks will slow down the expansion of an open, unregulated Internet. Nevertheless, we will see more freedom than China is currently willing to allow, because China's domestic Internet system is expanding so quickly and becoming so vibrant. Ultimately, its tens of millions of tech-savvy inquisitive minds will have the ability and the compulsion to scale any fire walls Chinese authorities erect. Many already do.

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