BEIJING (Reuters) - A rights group accused Western Internet companies on Thursday of complicity with censorship in China and called on Microsoft Corp., Google Inc. and Yahoo Inc. (Nasdaq: YHOO - news) to resist Beijing's demands.

New York-based Human Rights Watch called the blocking of politically sensitive Web sites and search terms "arbitrary, opaque and unaccountable" and urged the publicly traded firms to be upfront with their users about censorship.

"It was ironic that companies whose existence depends on freedom of information and expression have taken on the role of censor, even in cases where the Chinese government makes no specific demands for them to do so," the group said in a report.

The report was the latest in a wave of criticism against Western Internet companies operating in China, which are accused of compromising their principles by censoring searches and blog titles and blocking politically sensitive terms in order to do business in the world's number-two Internet market.

In the case of Yahoo, the company has also been accused of providing information to Chinese authorities that led to the imprisonment of people accused of political crimes. The most prominent among them is writer Shi Tao, who was jailed for 10 years for leaking state secrets abroad.

Human Rights Watch was also especially critical of Yahoo's search functions, saying it censored information about as much as domestic search engine Baidu.com Inc.

Yahoo said it was "deeply concerned" about the issues but that it believed its presence in China was valuable.
We believe we can make more of a difference by having even a limited presence and growing our influence than we can by not operating in a particular country at all," said Yahoo spokeswoman Mary Osako.

CURRYING FAVOR

Google, whose motto is "Don't Be Evil," has also come under fire for blocking politically sensitive terms on its China site www.google.cn, bowing to conditions set by Beijing, while Microsoft has shut down blogs hosted on its MSN Spaces.

Microsoft in China and Google in the United States did not immediately reply to e-mails and phone calls seeking their comments on the report.

Human Rights Watch also criticised Web telephone company Skype, saying its Chinese software was configured to censor sensitive words in text chats without informing the user.

"Yahoo's role in the Shi Tao case and Google's decision to turn censor in order to curry favor with the Chinese government show the extent of corporate capitulation to China," Human Rights Watch Asia director Brad Adams said in a statement.

The group urged the companies to use "all legal means" to resist censorship of searches, blogs and Web addresses.

It also recommended a series of policies for the companies to adhere to when operating in China, including informing users when searches have been censored, storing user data that could be used to identify subscribers outside of the country and not complying with oral or undocumented requests from Chinese authorities.

Human Rights Watch researchers found that all of the companies censored sensitive searches, including terms related to the controversial 1989 crackdown on student demonstrators in and around Tiananmen Square, and the Falun Gong spiritual movement, which China has banned as an "evil cult."