Yahoo taken to task over China

Lawmakers lash out at the firm for giving the government names of e-mail account holders, who were then jailed.

By Jim Puzzanghera, Los Angeles Times Staff Writer
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WASHINGTON -- They sat just two feet apart, the mother of a journalist confined to a Chinese prison and the wealthy head of the giant U.S. company that helped put him behind bars.

Chief Executive Jerry Yang took his seat to testify on Capitol Hill Tuesday, he bowed deeply before the woman.

The hearing by the House Foreign Affairs Committee on Yahoo's conduct in China was a rare public shaming of the Internet leader, whose actions led to the imprisonment of journalist Shi Tao.

Committee Chairman Tom Lantos (D-Burlingame) and other lawmakers pilloried Yang and Michael Callahan, Yahoo's executive vice president and general counsel, for providing Chinese officials with Shi's identity from his e-mail address in 2004, then misleading lawmakers last year about what it knew about the case.

"While technologically and financially you are giants, morally you are pygmies," Lantos said, scolding Yahoo executives.

After Lantos suggested they ask for forgiveness, Yang, who emigrated from Taiwan as a child, turned and again bowed three times -- each lower than the last -- to Shi's mother, Gao Qinsheng, as the 61-year-old woman dabbed at her eyes with a tissue.

Tuesday's dramatic 3½-hour hearing showed the challenge of doing business in a country with a state-controlled media.

The controversy over Yahoo's testimony and its role in Chinese police investigations led the committee last month to approve the Global Online Freedom Act, which calls for fines of as much as $2 million for disclosing information that identifies a particular Internet user to officials from an "Internet Restricting Country" except for legitimate law enforcement
purposes. The bill faces tough opposition from large Internet companies.

Yahoo, Google Inc., EBay Inc. and other major Web players have invested billions in China to capture a share of the country's exploding Internet population. But they have been largely overwhelmed by local competitors, such as Alibaba.com and Baidu.com, as well as by concessions they must make to local laws. Google, for example, has faced heavy criticism for proactively censoring Web search results to which it believes the government might object.

Yahoo provided Shi's name to Chinese authorities in 2004 after they demanded to know the owner of a Yahoo e-mail address from which a government memo had been forwarded to an international human rights group. The memo had forbidden news coverage of the anniversary of the Tiananmen Square massacre. After Yahoo disclosed his identity, Shi was sentenced to 10 years in prison for divulging what China had deemed a state secret.

Yang and Callahan defended Yahoo during the hearing, arguing that the company was doing its best to compete in China's notoriously difficult business environment. They noted that Yahoo must respond to lawful requests by authorities for information about Internet users -- just as they must when served with subpoenas in the United States.

But Tuesday's performance by Yang and Callahan could give a boost to the legislation.

"If you think our witnesses today are uncomfortable sitting in this climate-controlled room and accounting for their company's spineless and irresponsible actions, imagine how life is for Shi Tao, spending 10 long years in a Chinese dungeon for exchanging information publicly -- exactly what Yahoo claims to support in places like China," said Lantos, the only Holocaust survivor in Congress and an ardent human rights supporter. "I would urge you to beg the forgiveness of the mother whose son is languishing behind bars due to Yahoo's actions."

Lantos objected to Callahan's description of China's requests as "lawful," saying they were aimed at quashing political dissent, not enforcing legitimate laws.

Yahoo sold its Chinese operations to Alibaba.com in 2005 in exchange for a large stake in the Chinese company, which raised $1.5 billion in an initial public offering Tuesday. Despite profiting handsomely from the Alibaba IPO, Yahoo shares fell 4.6% to $29.93 on worries that they were overvalued.

Yang told the committee that Yahoo would work harder on human rights issues.

"I understand the moral call for myself personally, as well as the company, to do more, and we will try to do more," Yang said.

But neither he nor Callahan would commit to supporting the Global Online Freedom Act. And they wouldn't commit to providing financial support to Shi's family while he was in prison, or to the family of Wang Xiaoning, another Chinese journalist sentenced to 10 years in prison in 2002 for sending e-mails about political reform from a Yahoo account.

The two families this year sued Yahoo in a San Francisco federal court for giving Chinese authorities the identities of e-mail account-holders. Wang's wife, Yu Ling, sat with Gao and human rights activist Harry Wu at the hearing.

"Sir, you're one of the richest companies in the country and you don't know whether you can provide for the humanitarian needs of a couple of families?" asked Rep. Brad Sherman (D-Sherman Oaks). Smith urged Yahoo to settle the case to show that it cared about the families.
"I deeply regret the consequences of what the Chinese government has done to the dissidents," Yang said. "My heart goes out to the families."

Callahan then apologized to the committee for inaccurate statements he made during a 2006 hearing about the role of the Internet in political repression in China. At the time, he testified that Yahoo "had no information about the nature of the investigation" when Chinese authorities requested the name associated with the Yahoo e-mail address, which turned out to be Shi.

But a Chinese police document made public last fall by a human rights group showed that authorities told Yahoo the information was connected to "illegally providing state secrets."

Lantos said Yahoo should have known that "state secrets" was a euphemism in China, usually in cases in which "a phony criminal case is concocted against political activists."

Callahan said he did not know when he testified in early 2006 that the case involved state secrets. And he apologized for not contacting the committee to correct his statements after he learned of the police memo.

But he insisted Yahoo was not trying to hide information.

Lantos did not accuse Callahan of perjury, but a committee investigation determined that Callahan provided false information to Congress. The committee is not pursing legal action now, but its members plan to review Tuesday's transcript and written answers it requested from Yahoo at the hearing before making a final decision, committee spokeswoman Lynne Weil said.

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