

# THE GLOBE AND MAIL

## Now RIM faces new challenge in India



*World's second-largest cellphone market threatens to ban some BlackBerry services*

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Just as RIM (RIM-T53.40-2.19-3.94%) puts out one fire in its ongoing multinational dispute with foreign governments over data encryption, another BlackBerry service ban appears possible in the world's second-largest cellphone market.

Canadian Minister of International Trade Peter Van Loan issued a statement Wednesday giving the first official indication that the stalemate between RIM and the Saudi government is close to resolution. But the positive news was clouded by media reports that Indian authorities may shut down certain BlackBerry features if security issues are not satisfactorily addressed in a meeting with telecom operators Thursday.

It raises the likelihood that the smart phone maker will have to expose more of its intellectual property to government agencies in order to preserve its overseas market share.

In his statement, Mr. Van Loan said he has spoken to Prince Mohammad Bin Naif Al Saud, Saudi Arabia's deputy minister of the interior, about the country's threat to ban certain BlackBerry services unless RIM makes it easier for local authorities to monitor communication on the devices.

"I wanted to convey that the Government of Canada welcomed the news that BlackBerry services are continuing in Saudi Arabia," he said.

"We discussed how the BlackBerry is an important business tool that contributes to economic and trade relations. The free flow of information, facilitated by devices like the BlackBerry, is fundamental to business operations in today's global economy."

However other countries are starting to propose BlackBerry service bans of their own, likely in an attempt to secure the same concessions RIM is believed to have made to the Saudi government. Reuters reported Wednesday that Indian authorities may shut down certain BlackBerry features if security issues are not satisfactorily addressed in a meeting with telecom operators Thursday.

India represents a significant source of current and – more importantly – future earnings for RIM. With an estimated 1.1 million users in the country, India's customer base is roughly equal to that of Saudi Arabia and the United Arab Emirates combined.

India's reported threat to ban some BlackBerry services was almost certainly prompted at least in part by the potential for similar concessions as those made in the Saudi negotiations, after that country threatened to shut down certain BlackBerry features.

Initial wire reports out of Saudi Arabia last weekend said RIM had agreed to place a BlackBerry server inside the country. However more recent reports indicate RIM will instead hand over the "codes" to all local BlackBerrys to the Saudi government.

The definition of "codes" is still unclear – neither RIM nor the Saudi government will comment publicly. For example, if RIM gives local authorities the individual smart phones' International Mobile Equipment Identity – a unique number assigned to every mobile phone – the government could have an easier time shutting down or geographically locating specific phones.

But should RIM hand over the keys to decrypt messages sent from individual BlackBerrys, the Saudi government would likely save plenty of time and resources trying to intercept and decrypt such messages manually.

Like the United Arab Emirates and a host of other countries, the Saudi government has said it wants greater monitoring powers for national security reasons. Critics contend the government's interest is actually in keeping tabs on political dissidents.

For RIM, the greater concern in handing over such information is the increased potential of making its intellectual property – specifically the way it handles security and encryption – more public, according to Daniel Tobok, president of Toronto-based independent security consulting firm Digital Wyzdom.

"The biggest problem for RIM is that they didn't want to release their intellectual property," he said. "Not necessarily because of the goodness of their heart, but because it can give away an idea of how you can break [BlackBerry encryption and security] easier."