

Case 2 BlackBerry in International Markets: Balancing Business Interests and Host Nations' Security Concerns

*"Terrorists and criminals have 'thousands of ways' to hide their communications. . . . Eventually we'll get to a point to ban computers. . . . There's always a discussion about things that develop technologically. But we have to live with it."*¹

—SHEIK KHALED BIN AHMED AL KHALIFA,
Bahrain's foreign minister, on BlackBerry Controversy, in 2010

Research in Motion (RIM), a Canadian company, was the maker of the BlackBerry smartphone.² Mike Lazaridis, founder and co-CEO of RIM, launched the first BlackBerry smartphone in 2002. Initially BlackBerries were sold to business entities and government agencies in the UK, US, and Canada, but later in 2005, as the smartphone market took off all over the world, RIM decided to expand its overseas business. At that time RIM had no clue that its biggest selling point—strong encryption built into the design of the BlackBerry system that guaranteed customer's privacy—would turn out to be a major hurdle in its overseas expansion spree, especially in Asia and the Middle East. In 2010, the government of the UAE imposed a ban on BlackBerry and created a furor in countries like India, Saudi Arabia, and Indonesia, among others. Respective governments of these countries considered the phone to be a national security threat due to the strong encryption of the BlackBerry system that guaranteed customer's privacy. Analysts raised questions such as why RIM faced so much controversy in Asian countries, especially in the Middle East and not anywhere else in the world; what were the options available for RIM to avoid a ban in these countries; and would RIM be successful in addressing the security concerns of these nations and its business interests effectively? Some observers felt that the dilemma was hard to solve as the demand of governments (for access to communications) and expectations of customers (privacy) were mutually exclusive.

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¹ Adam Schreck, "Saudi Arabia Blackberry Ban Lifted," www.huffingtonpost.com, August 10, 2010.

² Smartphone is a cellular telephone with built-in applications and Internet access. Smartphones provide digital voice service as well as any combination of text messaging, e-mail, Web browsing, still camera, video camera, MP3 player, video player, television, and organizer. In addition to their built-in functions, smartphones have become application delivery platforms, turning the once single-purpose cell phone into a mobile computer.

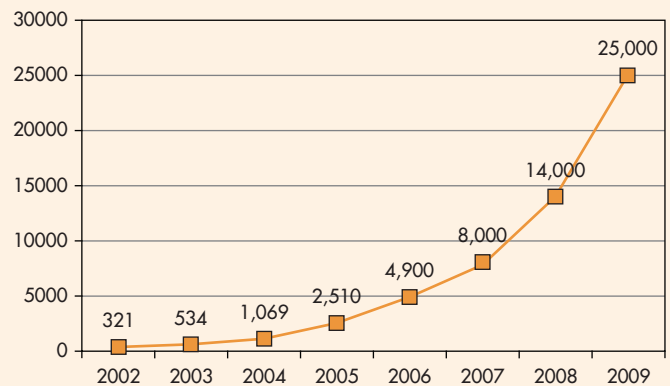
³ Carrier is a term commonly used to refer to a telecom company that provides voice or data services. Carriers can be companies that operate wirelessly or over traditional wired land lines.

ABOUT RIM

RIM had operations in 175 countries and partnerships with 550 major carriers³ across those countries by 2010. (Refer to Box I for a timeline of major BlackBerry events.) Industry observers felt that BlackBerry had come a long way from just 1 million subscribers in 2004 to a whopping 46 million subscribers in June 2010 (refer to Exhibit I).

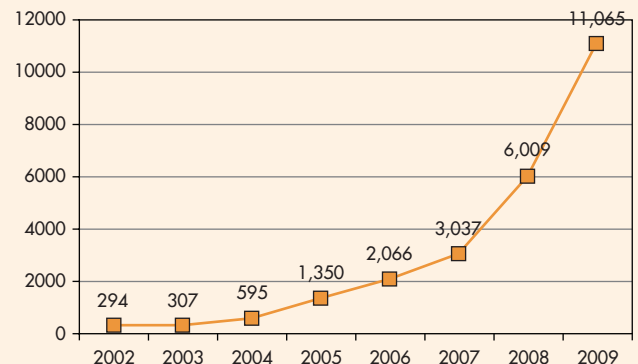
In the year 2009, RIM's revenue grew at 84%, from around US\$6 billion in 2008 to approximately US\$11 billion.⁴ (Refer to Exhibit II(a) and Exhibit II(b) for RIM's annual revenues). RIM generated revenue from hardware sales of BlackBerry wireless devices to carriers and licensing of software. In

EXHIBIT I BlackBerry Subscribers: 2002–2010 ('000)



Source: Adapted from various Annual Reports of RIM, <http://www.rim.com>

EXHIBIT IIA RIM's Annual Revenue: 2002–2009 (US\$ million)



Source: Adapted from various Annual Reports of RIM, <http://www.rim.com>

⁴ "2009 Annual Report," <http://www.rim.com>

EXHIBIT IIB Five Year Income Figures of RIM (in thousands of US dollars)

	<i>(in thousands of US dollars)</i>				
	Feb 2010	Feb 2009	Feb 2008	March 2007	March 2006
Revenue	14,953,224	11,065,186	6,009,395	3,037,103	2,065,845
Gross Profit	6,584,266	5,097,298	3,080,581	1,657,802	1,140,247
Net Income	2,457,144	1,892,616	1,293,857	631,572	374,656

Source: Annual Reports of RIM for 2007 and 2009

Box 1 Timeline of Major BlackBerry Events

- 2002—First Asia-Pacific partnership with Hutchison Telecommunications⁵ in Hong Kong and Telstra Corporation Limited⁶ in Australia.
- 2004—BlackBerry subscribers pass the one million mark.
- 2005—195 carriers and distribution partners in over 40 countries. BlackBerry devices available in over 50,000 stores globally.
- 2006—An estimated 25% of the BlackBerry subscriber account base is outside North America.
- 2010—550 carriers and distribution partners in 175 countries. 46 million subscribers by mid 2010.

Source: Adapted from, Taylor Paul, "BlackBerry Irritates Spy Masters," *www.ft.com*, August 6, 2010

addition to this, it earned service revenue through a monthly access fee charged to the carrier depending on the number of end users (using BlackBerry) with an active status. In exchange, RIM provided access to BlackBerry architecture for wireless transmission of data for the end user, via the carrier.⁷

By 2010, BlackBerry was a very popular phone and its popularity, as a trade analyst observed, "can be put down to its main selling point: the fact that it enables users to securely access their email accounts while away from their desks."⁸ RIM advertised its strong security as one of its major advantages over its rivals such as Apple Inc.,⁹ Google Inc.,¹⁰ and Nokia Corporation.¹¹ It was reported that RIM used powerful codes to encrypt email messages and calls, which were unmatched by rivals.¹²

⁵ Hutchison Telecommunications Hong Kong Holdings Limited (HTHKH) is a leading integrated telecommunications provider in Hong Kong. It provides a host of services including mobile and Wi-Fi services, fixed line, and IDD services under the brand name "3ree Broadband."

⁶ Telstra Corporation Limited is an Australian telecommunications and media company. Telstra provides both local and long distance fixed line and mobile services, along with dialup, wireless, DSL, and cable Internet access in Australia

⁷ "RIM Business Model," <http://telecommstrategy.blogspot.com>, May 14, 2007

⁸ McGinley, "How Big Is the BlackBerry?" www.arabianbusiness.com, August 1, 2010

⁹ Apple Inc. (previously Apple Computer, Inc.) is an American multinational corporation engaged in designing and marketing consumer electronics, computer software, and personal computers. The company is best known for its Macintosh line of computers, the iPod, the iPhone (a smartphone competing with RIM's BlackBerry), and the iPad.

¹⁰ Google Inc. is an American multinational company with interests in Internet search, cloud computing, and online advertising technologies. Google develops and provides a number of Internet-based services and products. Its Nexus One (handset) and Android smartphone software compete with BlackBerry.

¹¹ Nokia Corporation is a Finnish multinational company engaged in designing and manufacturing of mobile devices (including smart phones) along with equipment for Internet and communications industries.

And this secure communications offered by RIM helped attract elite users such as President Barack Obama (Obama) in addition to a majority of corporate executives across the globe. When Obama became the US President, he was determined to continue using his BlackBerry amongst legal and security concerns.¹³ Obama, who openly displayed his love for BlackBerry, opined, "It's just one tool among a number of tools that I'm trying to use, to break out of the bubble, to make sure that people can still reach me."¹⁴ Obama succeeded in keeping his BlackBerry with enhanced security features. In the UK, BlackBerry is considered so secure that the UK's intelligence community deemed that not using BlackBerry for communication could limit the effectiveness of military operations or compromise law enforcement.¹⁵ BlackBerry's strong security feature became its biggest selling point in the Western countries such as US, Canada, UK, etc.

However, little did RIM know that BlackBerry's main selling point would become a major hurdle in its overseas expansion, especially in Asia and the Middle East. (Refer to Exhibit III for RIM's overseas revenue.) A number of countries expressed security concerns over BlackBerry's coding system. (Refer to Exhibit IV for the concerns raised by various countries.) The strong encryption made it difficult for governments of these countries to monitor communications that happened via BlackBerry devices. Most of these countries were demanding that RIM should let them access BlackBerry messages or face a ban as ever-escalating

¹² "Endgames for RIM's BlackBerry-India Standoff," *The Economic Times*, August 27, 2010

¹³ The U.S. Secret Service prohibits the U.S. President from carrying any sort of cell phone in order to minimize security risks. And by law, all the President's e-mails must be recorded and made available to the public if requested.

¹⁴ "Obama Plans to Keep his BlackBerry," www.computerworld.com, January 16, 2009

¹⁵ "Factbox: Where BlackBerry Stands Around the World," www.wired.com, August 13, 2010

EXHIBIT III RIM's Overseas Revenue Distribution

<i>(in thousands of US dollars)</i>					
Revenue	Feb 2010	Feb 2009	Feb 2008	March 2007	March 2006
Canada	843,762	887,005	438,302	222,517	178,558
US	8,619,762	6,967,598	3,528,858	1,756,608	1,335,402
UK	1,447,417	711,536	461,592	-	-
Other Countries	4,042,283	2,499,047	1,580,643	1,057,978	551,885
Total	14,953,224	11,065,186	6,009,395	3,037,103	2,065,845

Source: Annual Reports of RIM for 2007 and 2009

EXHIBIT IV Countries Raising Concerns Regarding BlackBerry

Country	Concerns Raised	BlackBerry Users
India	Indian security agencies were demanding full access to messaging services of RIM and threatened to ban RIM if it fails to oblige.	1,000,000
France	A French protection agency raised security concerns over the usage of BlackBerry by the cabinet.	350,000
UAE	UAE raised objections for exporting data over RIM phones on security grounds.	500,000
Bahrain	Moral and security concerns over the usage of BlackBerry	78,000
Kuwait	Moral and security concerns	NA
Lebanon	Lebanon sought access to encrypted information.	60,000
Saudi Arabia	Saudi Arabia had threatened to ban BlackBerry service as RIM was reluctant to share encryption codes.	700,000
Algeria	Security concerns	NA

Source: Adapted from various sources

global security threats were forcing a tight monitor on all communication channels. The United Nations telecommunications agency urged RIM to allow security agencies to access customer data, and Hamadoun Toure, Secretary-General of the International Telecommunication Union, expressed his support by saying that all governments, fighting terrorism, had the right to access citizens' communication and information.¹⁶ Respective governments warned that if RIM refused these requests, it could face bans. And combined bans (by various countries) would significantly harm RIM's market share.

THE BLACKBERRY CONTROVERSY AND RIM'S REMEDIAL MEASURES

*"The company is in a pretty tricky position now. . . . Part of the BlackBerry's appeal is that it offers high levels of security and that same factor is what's getting it blocked."*¹⁷

—MATTHEW REED,
Senior Analyst & Editor, *Middle East & Africa Wireless Analyst*,¹⁸ in 2010

*"A company like RIM really needs to think not just about the UAE or Saudi Arabia, but about their customers worldwide. . . . BlackBerry is willing to offer backdoor access (in the Gulf), other countries are going to want that too. And at that point it's really a race to the bottom."*¹⁹

—CINDY COHN,
Legal Director and General Counsel for digital rights group
Electronic Frontier Foundation,²⁰ in 2010

*"If RIM concedes, they've lost any hope of being distinctive. . . . They will destroy the brand and appear to have a lack of scruples. If they don't 'blink,' they could stand to lose a reasonable amount of volume, but they would also be viewed as courageous."*²¹

—GARY SINGER,
founder and CEO of *Buyology Inc.*,²² in 2010

¹⁶ "RIM should open up user data: UN agency," www.cbc.ca, September 2, 2010

¹⁷ Anthony DiPaola, "RIM Refuses to Give Codes as BlackBerry Faces Bans," www.businessweek.com, August 4, 2010

¹⁸ *Middle East & Africa Wireless Analyst*, a fortnightly, covers key market developments across Africa and the Middle East, including network rollout, new license awards, regulation, mergers and acquisitions, and new service launches.

¹⁹ Adam Schreck, "Saudi Arabia Blackberry Ban Lifted," www.huffingtonpost.com, August 10, 2010

²⁰ Electronic Frontier Foundation is the leading American civil liberties group defending people's rights and promoting privacy protection in the digital age.

²¹ Mangalindan, J. P., "Why the UAE Ban is a Golden Opportunity for BlackBerry," <http://tech.fortune.cnn.com>, August 6, 2010

²² Buyology Inc. is a privately held marketing neuroscience firm that measures and manages data regarding non-conscious decision making. By 2010, Buyology had the world's largest brain scan database, with scans collected from five countries—the US, UK, Germany, Japan, and China.

BlackBerry, since its launch, was known for the strong encryption which was so strong that the time taken to crack would be as long, “as it would for the sun to burn out—billions of years,”²³ as claimed by RIM. Scott Totzke, Vice-president of global security at RIM, elaborating it further explained, “Every message that is sent via a BlackBerry is broken up into 2Kb ‘packets of information,’ each of which is given a 256-bit key by the BlackBerry server... That means to release the contents of a 10Kb e-mail, a person would have to crack 5 separate keys, and each one would take about as long as it would for the sun to burn out—billions of years.”²⁴

Apart from the strong encryption, when someone used BlackBerry’s email or BlackBerry Instant Messenger or sent a message using BlackBerry Personal Index Number (PIN), the data was sent directly in encrypted form to RIM servers in Canada, making it difficult for the local governments to intercept or monitor conversations (regarding illegal or terrorist activities), as the information did not pass through domestic servers. And this inability to access BlackBerry traffic frustrated countries such as India, Saudi Arabia, and the United Arab Emirates (UAE), along many others. Analysts pointed out that among many other web-based mail systems, such as Gmail, which also used encrypted data, only BlackBerry was singled out, because RIM was the only firm that sent users’ data to servers in Canada automatically.²⁵ And many countries were demanding that RIM should set up local servers, apart from seeking access to the data transmitted via BlackBerries.

Middle East

Citing security concerns, the UAE, which had 500,000 BlackBerry subscribers in mid-2010, announced on August 1, 2010, that it would ban BlackBerry services—e-mail, messaging, and web services—from October 11, 2010 unless RIM offered an acceptable solution to access BlackBerry traffic. The UAE’s decision to ban BlackBerry came days after several youths were arrested for organizing a peaceful protest using BlackBerry Messenger. The UAE had raised BlackBerry concerns on national security grounds much earlier, which snowballed into controversies. For instance, in 2009, UAE’s state-owned mobile operator Etisalat²⁶ urged the BlackBerry customers to install software, described as an upgrade for service enhancements. RIM said the tests showed that it turned out to be a spyware, which would have allowed the UAE government to access the private information stored on the BlackBerry phones. RIM criticized UAE, and directed the users on how to remove the software. *Financial Times*²⁷ reckoned, “The

spyware controversy could be interpreted as the first public signs of the Gulf states’ concerns about Canadian-based RIM.”²⁸ Moreover, the assassination of Mahmoud al-Mabhouh, senior leader of Hamas (Palestinian militant group), in a hotel room in Dubai, allegedly by a team of the Israeli intelligence agency in January 2010, made the BlackBerry issue even more sensitive in UAE, as it is believed that the attackers communicated securely on their BlackBerry phones.

UAE’s announcement to ban BlackBerry met with a lot of criticism from the western countries. US State Department spokesman P. J. Crowley termed such technological restrictions as a move in the wrong direction.²⁹ Reporters Without Borders³⁰ implored the UAE government to lift the ban and reach a compromise to protect the freedom of the population.³¹ However, the regulators in UAE argued that some features operated by BlackBerry fell outside the country’s laws, therefore causing judicial, social, and national security concerns.³²

Just a few days before the scheduled ban, UAE and RIM reached an agreement and UAE’s Telecommunications Regulatory Authority (TRA) announced that it would not suspend BlackBerry services from October 11, 2010. On October 8, 2010, UAE’s TRA stated that “BlackBerry services were now compliant with the UAE’s telecommunications regulatory framework”³³ and it also “acknowledged the positive engagement and collaboration of Research in Motion (RIM) in reaching this regulatory compliant outcome.”³⁴ RIM refused to discuss the details of the deal and how it managed to meet UAE’s concerns.

Shortly after UAE’s action, Saudi Arabia, RIM’s biggest Middle East market with 700,000 BlackBerry users, said that it would block BlackBerry Messenger from August 6, 2010, as the service did not meet the regulatory requirements and posed a national security threat. The governments in Middle Eastern countries also drew support from the conservatives to ban smartphones such as BlackBerry, as youth were negatively influenced by it. (Refer to Box II for concerns of Gulf residents.) But later Saudi Arabia delayed the ban, as RIM reached a preliminary agreement with Saudi regulators that would allow the government limited access to BlackBerry instant messages by September 1, 2010. It was reported by the trade journals that the agreement with RIM also included placing a BlackBerry server inside Saudi Arabia.³⁵

²³ Jonathan Richards, “RIM to France: BlackBerry Is Safe,” <http://technology.timesonline.co.uk>, June 20, 2007

²⁴ Jonathan Richards, “RIM to France: BlackBerry Is Safe,” <http://technology.timesonline.co.uk>, June 20, 2007

²⁵ Jane Wakefield, “Untangling the BlackBerry Ban,” www.bbc.co.uk, August 4, 2010

²⁶ Emirates Telecommunications Corporation, operating under brand name Etisalat, is a UAE-based telecommunications services provider, with operations in 18 countries across Asia, the Middle East, and Africa. As of February 2011, Etisalat is the 13th largest mobile network operator in the world, with a total customer base of more than 135 million.

²⁷ *Financial Times* is the latest UK and international business, finance, economic and political news daily.

²⁸ “Concern over Crime behind BlackBerry Plan,” *Financial Times*, August 3, 2010, page 4

²⁹ “UAE: BlackBerry Crackdown Will Affect Visitors Too,” www.samoanews.com, August 2, 2010

³⁰ Reporters Without Borders is an international non-governmental freedom organization, which aims at defending journalists and media assistants imprisoned or persecuted, and it also fights against censorship and laws that undermine press freedom.

³¹ Adam Schreck, “UAE: BlackBerry Crackdown Will Affect Visitors Too,” <http://news.yahoo.com>, August 2, 2010

³² Adam Schreck, “UAE: BlackBerry Crackdown Will Affect Visitors Too,” <http://news.yahoo.com>, August 2, 2010

³³ Andrew England, “UAE Lifts BlackBerry Ban Threat,” www.ft.com, October 8, 2010

³⁴ “United Arab Emirates Will Not Ban Blackberries,” www.bbc.co.uk, October 8, 2010

³⁵ Abdullah Al-Shihri, “BlackBerry, Saudi Arabia Agreement Could Set a Precedent,” www.cleveland.com, August 7, 2010

Box II Concerns of BlackBerry's Gulf Customers

- “It’s a waste of time and money... I had to buy it for the eldest of my children and since then, the little time he spends at home is punching messages and laughing by himself. It’s not normal.”

The father of a BlackBerry user

- “My daughter collapsed once. When we took her to the hospital, the doctor said she was suffering from fatigue. After getting her BlackBerry phone she became so attached to it that she even used to be on it while in bed. She reads every SMS she receives and even replies to them late at night.”

A mother who confiscated her daughter’s BlackBerry

Adapted from “The Flip Side,” The Economic Times, August 7, 2010, page 4

The other Middle Eastern countries such as Lebanon, Bahrain, and Kuwait also raised security concerns on BlackBerry usage. Lebanon’s Telecommunications Regulatory Authority (TRA) said it was assessing the security concerns regarding the smartphones such as BlackBerry. TRA claimed it was not reacting to Saudi Arabia and UAE’s stance on BlackBerry, but it was worried over the integrity of the telecom network after the arrest of three people suspected of spying for Israel.³⁶

Kuwait did not threaten a BlackBerry ban, but it was holding talks with RIM over moral and security concerns. Kuwait asked RIM to block access to pornographic sites, for which RIM asked for four month’s time. Most of the Middle Eastern governments considered pornography to be a crime. Using Internet on BlackBerry was different from using Internet on the other smartphones, as Internet was not controlled by the local wireless carrier that BlackBerry was running on. BlackBerry directly connected through the local wireless carrier’s network to RIM’s servers located in Canada and accessed the Internet. Canada gave freedom to its citizens to watch whatever they wanted to and thus even BlackBerry users in Kuwait were able to access everything that Canadians could.

Bahrain, another Middle Eastern country, also had raised security concerns about BlackBerry messaging services, but later decided not to ban BlackBerry. On August 8, 2010, Sheik Khaled bin Ahmed Al Khalifa, Bahrain’s foreign minister, said, “We’re not saying there is no security concern . . . But . . . There are many other ways for the criminals or terrorists to communicate, so we decided we might as well live with it.”³⁷

India

India, the world’s second-largest mobile phone market with one million BlackBerry users, threatened to ban BlackBerry if RIM did not let the Indian Government access BlackBerry Enterprise Servers (BES)³⁸—which many Indian business and government organizations used—and BlackBerry Messenger. BES was very popular among the enterprise customers, as it offered a higher level of security and RIM claimed neither RIM nor any other third party could access the corporate data on the encrypted BES network.

³⁶ “Nation-by-Nation Look at BlackBerry Controversy,” www.msnbc.msn.com, August 13, 2010

³⁷ Adam Schreck, “Bahrain Says No Plans to Ban BlackBerry Services,” <http://news.yahoo.com>, August 8, 2010

³⁸ When using the BES, an organisation hosts its own server and encryption key for access to transmitted content, offering a higher level of security.

India had raised concerns over BlackBerry services in 2008 too. RIM’s response then was that it did not allow any third party or even its own employees to access the data sent over the network.³⁹ In the same year the terrorist attacks in Mumbai occurred, in which 173 people were killed and 308 people were injured. This intensified concerns in India over the government’s inability to access encrypted communications.⁴⁰ Five BlackBerry phones were recovered from the crime scene, and it was suspected that the terrorists would have co-ordinated the entire attack on BlackBerry phones.

India was a very lucrative market for RIM and on September 1, 2010, Informa Telecoms & Media⁴¹ forecasted that BlackBerry sales in India would be more than 600,000 by end of 2010 and that India’s smartphone market would have reached approximately 12 million by then—a figure expected to reach 40 million by the end of 2015.⁴² RIM, faced with saturated markets in North America and the UK, had no option but to give into the Indian Government demands as “India is an absolute gold mine.”⁴³

On August 29, 2010, RIM was able to avert a ban by getting a 60-day reprieve from the government to continue its services in India. During this 60-day period the security agencies would be testing the solutions provided by RIM and see if they were able to tap into BlackBerry Messenger and BES. RIM has provided a technical solution to intercept the BBM between two handsets after providing the PIN. The Indian Government on September 6, 2010 asked RIM to provide a technical solution to intercept its BES. But RIM had maintained that it was unable to provide anyone the text of emails sent using its corporate service designed for secure communications.⁴⁴ Hence, industry observers could not figure out as to how RIM would fulfill the Indian Government’s demand. They stated that RIM would eventually also have to set up a local server in India to

³⁹ Dew Alam, “BlackBerry vs World: Should RIM Cave into Government Pressure?” <http://top10.com>, August 10, 2010

⁴⁰ “BlackBerry’s Security Stance Sows Anxiety,” <http://economictimes.indiatimes.com>, August 10, 2010

⁴¹ Informa Telecoms & Media is a leading provider of business intelligence and strategic services to the global telecoms and media markets.

⁴² Josh Halliday, “BlackBerry Wins the Battle But Not the War in India,” www.guardian.co.uk, September 1, 2010

⁴³ Douglas Quan, “RIM Reported to Have Made Deal with India,” www.montrealgazette.com, August 14, 2010

⁴⁴ “RIM Should Open Up User Data: UN Agency,” www.cbc.ca, September 2, 2010

continue its services from November 2010 onwards. India had also asked Google Inc.,⁴⁵ Skype Technologies,⁴⁶ and other Internet service providers to set up local servers to monitor their Internet traffic.

Other Countries

Along with the Middle Eastern countries and India, a number of other countries such as Algeria and Indonesia also opined that BlackBerry phones were a threat to national security. By mid-2010, Algeria was reviewing BlackBerry services, and the government stated that continuing services in the country depended on the degree of threat to the national security, if any. Algerian Telecommunications Minister Moussa Benhamadi said, “We are looking at the issue. If we find out that it is a danger for our economy and our security, we will stop it.”⁴⁷ Indonesia, with 1.2 million BlackBerry subscribers, also expressed fears on BlackBerry usage for security and moral reasons. In the last week of August, Indonesia was pressuring RIM to block pornographic content or face a ban. Pornography was illegal in Indonesia and the government summoned RIM officials to filter indecent material accessible by roughly one million BlackBerry users in Indonesia.⁴⁸ Indonesia had also asked RIM to set up local servers in the country to monitor local communications.

BLACKBERRY CONTROVERSY CENTERED ONLY IN ASIA AND THE MIDDLE EAST?

*“The difference between India and Great Britain or between the United Arab Emirates and the United States might be more about their varying abilities to eavesdrop secretly.”*⁴⁹

—OWEN COTE,

Associate Director, Massachusetts Institute of Technology’s Security Studies Program,⁵⁰ in 2010

Industry observers noted that the controversy surrounding BlackBerry raised an important question—why did governments of Western countries not have an objection with BlackBerry services? Or, in other words, had their concerns been already secretly addressed by RIM? Some analysts opined, “simply because a government isn’t hassling BlackBerry or

Google for access to their customers’ conversations doesn’t mean their spy agencies aren’t listening.”⁵¹ Owen Cote elaborated why some countries such as UAE were demanding that RIM provide them access to its data whereas Western countries were not. According to him, all governments did not possess the same capabilities, and that cracking encryption was beyond the reach of governments such as those of Dubai.

As soon as the UAE made an announcement to ban BlackBerry services, Philip J. Crowley, Assistant Secretary in the US State Department Bureau of Public Affairs, stated “We are disappointed at this announcement...It’s not about a Canadian company... It’s about what we think is an important element of democracy, human rights, and freedom of information and the flow of information in the 21st century.”⁵² The UAE immediately fired back by saying that the US was maintaining double standards as “UAE is asking for exactly the same regulatory compliance—and with the same principles of judicial and regulatory oversight—that BlackBerry grants the US and other governments and nothing more.”⁵³ According to Dhahi Khalfan Tamim, Lieutenant General and chief of the Dubai Police, “The West has accused us of curbing the liberties of BlackBerry users, while America, Israel, Britain, and other countries are allowed access to all transferred data.”⁵⁴ Even India’s Sachin Pilot, Minister of State for IT and Communications, opined “I don’t think the concerns raised by India are out of the ordinary... Most countries in the Western world have raised the issues and to the best of my information—and I am willing to be corrected their concerns have been addressed.”⁵⁵

Though RIM claimed that it had not given any country special access to its servers, it was rumored that RIM had struck special deals with countries all over the world. Leslie Harris, chief executive of the Center for Democracy and Technology,⁵⁶ Washington, stated that he was aware of rumors that various deals have been struck around the world, including in the US, but he said he was not aware of the details.⁵⁷

RIM is known for its secrecy—as it never revealed the details of its conversations with governments of various countries, nor had it revealed how it had complied with laws of security-conscious countries such as Russia and China, which required the telecom companies to grant the security agencies access to their systems. It was speculated that RIM cracked a deal with

⁴⁵ Google, Inc. is a public company focused on Internet search services. Google operates web sites at many international domains, with the most trafficked being www.google.com. Google is widely recognized as the “world’s best search engine” because of its speed, accuracy, and ease of use.

⁴⁶ Skype’s popular Web-based software allows users to make voice and video calls using the Internet. Calls are free when made Skype-to-Skype, and users could make calls to landlines and cell phones at lower rates than traditional phone services. Skype also obtains revenue from voice mail and other services, and offers a platform for business communications geared toward small and mid-sized firms.

⁴⁷ Suzanne Choney, “Amid Talk of Bans, BlackBerry Maker Fights Back,” www.msnbc.msn.com, August 6, 2010

⁴⁸ Anthony Deutsch, “RIM Faces Battle Over Content in Indonesia,” www.ft.com, September 2, 2010

⁴⁹ “Global Deals Threaten BlackBerry’s Vital Encryption,” <http://it.tmcnet.com>, August 18, 2010

⁵⁰ The Security Studies Program at MIT is a graduate-level research and educational program.

⁵¹ “Global Deals Threaten BlackBerry’s Vital Encryption,” <http://it.tmcnet.com>, August 18, 2010

⁵² Stephen Kurczy, “UAE’s BlackBerry Ban: Why Is Canada Silent?” www.csmonitor.com, August 3, 2010

⁵³ Stephen Kurczy, “UAE’s BlackBerry Ban: Why Is Canada Silent?” www.csmonitor.com, August 3, 2010

⁵⁴ “U.S., Israel Spying Behind BlackBerry Woe—Dubai Police,” <http://uk.reuters.com>, September 3, 2010

⁵⁵ “BlackBerry’s Security Stance Sows Anxiety,” <http://economictimes.indiatimes.com>, August 10, 2010

⁵⁶ Center for Democracy & Technology (CDT) is a Washington-based, non-profit public-interest group with expertise in law, technology, and policy. CDT works to enhance free expression and privacy in communications technologies by finding practical and innovative solutions to public policy challenges while protecting civil liberties.

⁵⁷ “BlackBerry’s Security Stance Sows Anxiety,” <http://economictimes.indiatimes.com>, August 10, 2010

Russia in 2008. Carolina Milanesi, Gartner Inc.⁵⁸ analyst, said “RIM has, as far as I know, negotiated with Russia. I don’t know the specifics because that is something between RIM and the government but Russia did not allow them to sell BlackBerry and from 2008 they were allowed so something must have changed.”⁵⁹ RIM planned to enter China in 2006, but was delayed for two years due to the security concerns raised by the Chinese authorities. RIM eventually began selling BlackBerry handsets in 2008 in a tie-up with China Mobile Limited,⁶⁰ the biggest telecom operator in China, but the response had reportedly been weak.⁶¹ Analysts suspected that RIM, to start operations in China, must have struck a deal that satisfied the strict Chinese laws.

In the US, there were not too many reported issues regarding the BlackBerry encryption. However, it was widely reported that several US law enforcement and security agencies would have had a way to decrypt BlackBerry messages. Legally, the US security agencies could access the BlackBerry or any iPhone data under its Patriot Act—enacted after 9/11 attacks⁶²—by obtaining a court order signed by a judge. In the US, post-September 11, 2001 attacks, the National Security Agency convinced several wireless carriers to share records of calls made over more than 200 million phones.⁶³

In the UK, public authorities wanting to access past communications data needed to obtain a warrant from the Interior Minister or permission from a senior police, defense, or customs authority.⁶⁴ Robert Guerra (Guerra), Director of Freedom House,⁶⁵ supporting such privileges in Western countries and discouraging such privileges in Middle Eastern countries, opined that such privileges were allowed in the US and other Western countries due to high standards of human rights, freedom of expression, and due process, but Saudi Arabia and other

Middle Eastern countries lacked the same standards.⁶⁶ It was assumed by the analysts that the Middle Eastern countries were trying to gain access to customers’ data to restrict the flow of information, in the name of national security. Even though India too wanted to access BlackBerry for security reasons, experts stated only the data of suspected persons should be accessed, given the high levels of corruption in the governance. “What is the protection against a government official sitting in a control room and making use of price-sensitive market information? Or selling intellectual property and confidential information? How about revealing transcripts of embarrassing private conversations among business leaders or celebrities as has happened frequently in Italy?” questioned one skeptical observer.⁶⁷

Human rights organizations worldwide condemned the stance taken on BlackBerry by countries such as the UAE, Saudi Arabia, and India, as such instances undermined the importance of the free flow of information and the right to privacy. Critics of the BlackBerry ban opined, terrorism existed even before the advent of BlackBerry and they argued that terrorists also had other ways to carry their stealthy communications. They pointed out that one could simply save an e-mail as a draft, and share the password for the e-mail to the other to see the draft. This way, communication was completed by no electronic exchange, making it impossible for the security agencies to access the communication.⁶⁸ According to Eben Moglen, Chairman of Software Freedom Law Center⁶⁹ and Columbia Professor of Law, “No terrorist is going to use an expensive BlackBerry, if they want untapped communication. They can just use free software from the web. When I communicate using software like this (he shows a free email and encryption software on his IBM Thinkpad), no government on earth can overhear.”⁷⁰

RIM’s nod to provide access to its customer’s data to the governments of Saudi Arabia and India, according to some analysts, would compromise customer’s privacy and it could damage RIM’s strong reputation built on confidentiality. Trade observers said that RIM had chosen commercial gains over customers’ privacy, and that it is all about business and protecting market share.⁷¹ The entire BlackBerry controversy highlighted the conflict going on between the technology (and telecom) companies and governments (mostly Asian and Middle-Eastern) over how to balance privacy and national security needs.

ROAD AHEAD

“Companies like RIM need support in determining how to draw principled lines when responding to governmental

⁵⁸ Gartner Inc. is a US-based information technology research and advisory company providing technology-related insights to large corporations, government agencies, technology companies, and the investment community.

⁵⁹ Jane Wakefield, “Untangling the BlackBerry Ban,” www.bbc.co.uk, August 4, 2010

⁶⁰ China Mobile Limited, one of the world’s largest mobile phone companies with 584 million subscribers (by end of 2010), is a Chinese state-owned telecommunication company that provides mobile voice and multimedia services.

⁶¹ “Factbox: Where BlackBerry Stands Around the World,” www.wired.com, August 13, 2010

⁶² The September 11 attacks, often referred to as “September 11th” or “9/11,” were a series of coordinated suicide attacks by al-Qaeda upon the US on September 11, 2001. On that morning, 19 al-Qaeda terrorists hijacked four commercial passenger jet airliners. The hijackers crashed two of the airliners into the Twin Towers of the World Trade Center in New York City, killing everyone on board and many others working in the buildings. The hijackers crashed a third airliner into the Pentagon in Arlington, Virginia, just outside Washington. The fourth plane crashed into a field near Shanksville in rural Pennsylvania after some of its passengers and flight crew attempted to retake control of the plane, which the hijackers had redirected toward Washington to target either the Capitol Building or the White House. There were no survivors from any of the flights.

⁶³ “Talk of Banning BlackBerrys over Data Encryption Has Businesses Worried,” www.cdt.org, August 17, 2010

⁶⁴ “Factbox: Where BlackBerry Stands Around the World,” www.wired.com, August 13, 2010

⁶⁵ Freedom House is a Washington-based international non-governmental organization engaged in researching and advocating on democracy, political freedom, and human rights.

⁶⁶ Stephen Kurczy, “BlackBerry Caved to Saudi Demands: Rights Group,” www.csmonitor.com, August 10, 2010

⁶⁷ Stephen Mathias, “Rethink Snooping App on BlackBerry,” <http://economictimes.indiatimes.com>, September 2, 2010

⁶⁸ Ivor Soans, “Why the Indian Government Is Wrong on BlackBerry,” <http://biztech2.in.com>, August 9, 2010

⁶⁹ Software Freedom Law Center (SFLC) is a US-based organization that provides legal representation and related services to not-for-profit developers of free software/open-source software.

⁷⁰ Harsimran Julkawhat, “Blackberry Standoff Is About Sovereignty: Moglen,” www.economictimes.indiatimes.com, September 7, 2010

⁷¹ Stephen Kurczy, “BlackBerry Caved to Saudi Demands: Rights Group,” www.csmonitor.com, August 10, 2010

*requests that could compromise the security of their products or increase the human rights risk to their users. One lesson we should draw from RIM's current challenge is that all companies should aggressively advocate for legal standards that respect human rights in all countries in which they operate, democratic and non-democratic alike."*⁷²

—CENTRE FOR DEMOCRACY AND TECHNOLOGY, IN 2010

*"This is the new China and Google story, except now it's happening in the Middle East... Google at least had a fight with China."*⁷³

—ROBERT GUERRA,
Director of Freedom House,⁷⁴ in 2010

The BlackBerry controversy was not the first dispute of its kind between governments and communication companies over information control. The Google-China controversy was very similar to the controversy of RIM. Any company that entered China should abide by the stringent Chinese censorship rules, including the self-censorship rule. On January 12, 2010, Google announced that it was no longer willing to censor the searches and might pull out of the country. On March 22, 2010, Google announced that it would automatically re-route its searches from the Chinese search engine (google.cn) to its Hong Kong-based website, where Google was not required legally to censor searches. This move shifted the responsibility of censoring the searches from Google to China. The official Google Blog read: "attempts over the last year to further limit free speech on the web in China including the persistent blocking of websites such as Facebook, Twitter, YouTube, Google Docs, and Blogger—had led us to conclude that we could no longer continue censoring our results on Google .cn."⁷⁵ China responded back by saying Google was violating Chinese censorship rules and threatened Google that it will not renew Google's Internet Content Provider (ICP) license, without which Google's search presence in China would be severely hurt.⁷⁶

Though Google won applause from human rights organizations worldwide for the tough stance it took against China, Google could not go out of the Chinese market because of the huge potential its Internet market had. China, the world's largest Internet market with 400 million users offered prospects of earning revenues between US\$15 billion and US\$20 billion annually through the online advertising market. Thus Google, to stay in such a lucrative market, agreed to abide by Chinese law and ensure it was not providing law-breaking content.⁷⁷ Google

said that it will stop the automatic redirect of its google.cn users to its uncensored Hong Kong website. On July 9, 2010, it was announced that China agreed to renew Google's license.

RIM had been facing (in various countries) what Google faced in China. All the communication companies in Asia and the Middle East, in order to operate, had to obey the local laws or they could face a ban. In India, in addition to RIM, on September 1, 2010, Google and Skype were also asked to set up servers to enable security agencies to access and monitor the Internet traffic. Nokia,⁷⁸ on August 4, 2010, after the BlackBerry controversy, announced that it was not opposing new restrictions on mobile messaging in emerging market countries.⁷⁹ Nokia announced that it would host a server in India by November 5, 2010, appeasing the Indian government. Analysts opined that governments always had an upper hand, because at the end, commercial gain and business growth considerations would take first preference and things such as the right to privacy and information took a back seat.⁸⁰

Case Questions

1. Why is the BlackBerry controversy prominent in Asia, particularly in the Middle East, and not anywhere else in the world?
2. Analyze the measures that RIM can take to address security concerns while taking care of its business interests effectively.
3. Discuss the strategic lessons arising from the BlackBerry episode for MNCs operating in the technology arena.

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⁷² Stephen Kurczy, "BlackBerry Caved to Saudi Demands: Rights Group," www.csmonitor.com, August 10, 2010

⁷³ Stephen Kurczy, "BlackBerry Caved to Saudi Demands: Rights Group," <http://www.csmonitor.com>, August 10, 2010

⁷⁴ Freedom House is an independent watchdog organization that supports the expansion of freedom around the world. Freedom House supports democratic change, monitors freedom, and advocates for democracy and human rights.

⁷⁵ "A new approach to China: An Update," <http://googleblog.blogspot.com>, March 22, 2010

⁷⁶ Melanie Lee, "Why Is China so Important to Google?" <http://www.reuters.com>, July 10, 2010

⁷⁷ "Google vs China," <http://www.redherring.com>, July 14, 2010

⁷⁸ Nokia is the world's leading mobile phone supplier and a leading supplier of mobile and fixed telecom networks, including related customer services.

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