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WRAPUP 4-Saudi Arabia to block BlackBerry service on Friday

Tue, Aug 3 2010

- * Saudi Arabia orders BlackBerry service to be blocked
- * RIM may make concessions to India, Kuwait - reports
- * RIM CTO: Tough to "to shut down BlackBerry"
- * RIM unveils BlackBerry Torch to take on rivals
- * Stock drops 4 pct in Toronto, 2.5 pct in New York (Recasts with Saudi ban; adds new RIM statement, analyst comment, Saudi ban; closing stock prices. Changes dateline to New York)

By Sohail Karam and [Sinead Carew](#)

RIYADH/NEW YORK, Aug 3 (Reuters) - Saudi Arabia on Tuesday ordered at least one Research In Motion's BlackBerry smartphone service to be blocked as of Friday, becoming the latest government to threaten to curb the device on security grounds.

The issue, which pits governments against BlackBerry's super-secure encrypted services, has flared at a particularly inopportune time for RIM. On Tuesday, the company wanted all eyes on the unveiling of its new BlackBerry model at an event in New York. [ID:nN03163111]

The new touch-screen BlackBerry Torch is considered RIM's response to tough competition on its North American home turf from the likes of Apple Inc's (AAPL.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) iPhone, which is driving the company to seek new markets offshore.

Hours before Saudi Arabia's move, a RIM (RIM.TO: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) (RIMM.O: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) executive said governments were unlikely to carry through on threats because state officials themselves depend heavily on the iconic devices for communication.

"I believe they'll have trouble pulling the trigger to shut down BlackBerry," RIM Chief Technology Officer David Yach told Reuters on the sidelines of the New York launch bash. "Most governments in the world rely on BlackBerry." [ID:nLDE6721ZR]

Earlier, newspapers reported that RIM may make concessions to India and Kuwait after their governments voiced concerns the security risk posed by the smartphones, fearing they could be used for plots against the state.

Unlike rivals Nokia (NOK1V.HE: [Quote](#), [Profile](#), [Research](#), [Stock Buzz](#)) and Apple, RIM controls its own networks, which handle encrypted messages through centers in Canada and the UK.

But Canada-based RIM said in an emailed statement that "claims" it has provided unique wireless services or access to any one country are "unfounded." [ID:nWEN8334] ~~~~~ Take a Look on Blackberry's data risk [ID:nN02151382] Global smartphone market: link.reuters.com/fup82n ANALYSIS on Blackberry's secure data [ID:nLDE67103O] Reuters Insider: link.reuters.com/myw92n ~~~~~

"There is only one BlackBerry enterprise solution available to our customers around the world and it remains unchanged in all of the markets we operate in," the company said.

U.S. President Barack Obama is arguably the world's most famous BlackBerry user. He had to push hard to keep his beloved device due to security concerns and his address book was reduced to a small group of personal friends and senior staff.

Saudi Arabia, India and the United Arab Emirates together represent only about 5 percent of the 41 million BlackBerry devices in service worldwide. Even so, they are markets with growth potential for RIM.

STOCK FALLS, HOPES TOO HIGH?

RIM's Nasdaq-listed shares ended down 2.5 percent at \$55.53 while its Toronto-listed shares fell 4 percent to C\$56.77.

Analysts blamed the fall on disappointment that the much-hyped BlackBerry Torch, which features a new operating system, revamped browser and easier-to-use display, lacked a "wow" factor.

"It catches RIM up with what everyone else is doing. Most people who are just looking at the hardware aren't particularly excited," said Charter Equity Research analyst Ed Snyder.

The success or failure of the new smartphone is far more important for RIM's immediate fortunes than the Middle East security issues, Snyder said.

"If the Middle East changed their tune and told everybody they should do nothing but buy RIM (phones), if the (new) phone tanks, the stock is not going up," Snyder said.

Earlier, India's Economic Times newspaper reported that RIM had agreed to allow security authorities in the country to monitor

BlackBerry services after pressure from governments worried about national security. [ID:nSGE67203F]

Separately, Kuwaiti daily al-Jarida, quoting a source it did not identify by name, said RIM had given "initial approval" to block 3,000 porn sites at the request of Kuwait's communications ministry. It said security was also a concern. [ID:LDE672030]

The two reports follow the announcement on Sunday that the United Arab Emirates would suspend BlackBerry Messenger, email and Web browser services from Oct. 11 unless it could access encrypted messages.

The Saudi telecom watchdog said on Tuesday that telecom companies in the kingdom must block an unspecified Blackberry service as of Friday. Industry sources told Reuters on Sunday that the intention was to ban Blackberry Messenger.

The ban would last until the kingdom's three mobile phone operators "fulfill the regulatory requirements it has requested," according to a statement to media.

NEGOTIATIONS ONGOING

The Economic Times, citing internal government documents, said RIM has offered to share with Indian security agencies its technical codes for corporate email services, open up access to all consumer e-mails within 15 days and also develop tools in six to eight months to allow monitoring of chats.

An Indian government source told Reuters a deal could be reached by the end of the month.

Kuwait's al-Jarida said Kuwait's government was working with RIM and telecom companies on "legal controls that would guarantee national security on the one hand, and the rights of citizens ... to use the device's services on the other."

Despite the ongoing wrangling, analysts expect the two sides to reach a compromise in the UAE.

"I don't expect the UAE will be a day without BlackBerry access," said Jon Alterman, director of the Middle East program at the Washington-based Center for Strategic and International Studies.

(\$1=\$1.03 Canadian) (Additional reporting by [Devidutta Tripathy](#) in New Delhi; Diana Elias in Kuwait; Erika Solomon and Amena Bakr in Dubai; Euan Rocha in Toronto; Tabassum Zakaria in Washington. Writing by Jason Neely and Nicole Mordant; Editing by Frank McGurty)

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