Users bemoan loss of Net phones in UAE

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DUBAI, United Arab Emirates - When telecom regulators in this country cut access to the popular Internet phone program Skype, the price of international calling skyrocketed.

The shutdown triggered an uproar among foreign residents who form about 80 percent of the population of the Emirates, a wealthy country with some of the world’s highest levels of Internet penetration.

As the ban was phased in, Internet voice connections that cost about 2 cents a minute went dead. The remaining option was a bitter one: Pay about 75 cents per minute to phone Britain and 60 cents to call the United States during peak hours.

"It's infuriating to lose the freedom to call people," said Rupert Chesman, a 27-year-old Londoner who works as a TV producer in Dubai. "People just want to phone home and now they can't."

Etisalat, the Emirates' chief telecom and Internet provider, began to block Skype and other Internet phone providers this summer, arguing they had no license to sell phone service. Etisalat's profits have soared since then.

The unannounced Internet clampdown even woke up Dubai's normally docile press, which devoted pages to expatriates railing at the shutdown. An recent editorial in pro-government Gulf News said the ban was stifling technology that ought to be embraced.

Like other Voice over Internet Protocol systems, Skype breaks sounds into data packets just like e-mail and Web traffic and reassembles them at the recipient's end. VoIP calls are much cheaper because they travel over the open Internet and don't tie up dedicated circuits like regular phone calls.

They've also threatened revenues for traditional carriers.

In the normally competition-friendly Emirates, the telecoms sector is undergoing slow deregulation. Unlicensed competition from Skype, an Estonia-based company bought by...
eBay Inc. for $2.6 billion, was seen as too cheap, too soon.

"People don't understand the harm of a provider that has no obligations to this country," said Mohammed Ghuaith, director of technology for the Emirates Telecommunication Regulatory Authority. "Are the conversations secure? Are they being recorded? Will they steal information? Will they sell it? These are the things we need to look at."

Most countries that permit VoIP have already opened telecoms markets and face less potential for catastrophic losses in revenues, Ghuaith said. The regulator is studying the effects of the ban and is in talks with Etisalat on whether to license a local Internet phone provider, he said.

"We're going to reach a competitive and dynamic market soon. We're steadily going faster," Ghuaith said. "But this must be phased in."

In the meantime, Skype's demise is hurting foreign businesses and families. Chesman said his company misses Skype's voice and instant-messaging functions, which it had used as a low-cost conferencing medium to synchronize operations between its London and Dubai offices.

"It was an incredibly useful tool, not just because it was cheap," he said. State-controlled phone company Etisalat is the prime beneficiary of the Skype shutdown. So is an emerging telecom provider known only as "du," which, like Etisalat, is linked to the government but has sold public shares on local stock exchanges.

Asked whether the Skype ban had improved Etisalat's revenues, company spokesman Ammar Thuwaini said he had no "fixed figures" on the effects. But the carrier's profitability increased dramatically after the ban. In the second quarter this year, Etisalat reported profits jumped to $403 million, 30 percent more than the same period last year. The carrier's third-quarter profits leaped by 41 percent to $427 million.

The Emirates isn't alone in blocking Skype and similar VoIP services, generally using filtering software sometimes developed by U.S. companies. Internet telephony is illegal in most Gulf Arab states except Bahrain.

John Palfrey, a Harvard law professor who studies Internet censorship, said he has had reports of blockages by other governments that practice Internet censorship, mainly in North Africa, China, Southeast Asia and former Soviet republics.

By contrast, U.S. regulators won't tolerate efforts by phone companies that provide Internet access to block their customers' use of competing VoIP services. Madison River Communications LLC, a North Carolina-based company, agreed to a $15,000 fine last year to settle Federal Communications Commission allegations.

In 2002, Panama's government tried to block Internet-based phone calls, but its Supreme Court later struck down the effort.

Palfrey said blocking efforts are ultimately futile as people will find ways around them.

"The right answer is to find ways to monetize new technology even if that means the death an old industry," he said.
A survey by Palfrey's OpenNet Initiative found that the Emirates blocks most pornography, gambling, religious conversion and drugs sites, along with some gay and lesbian sites, but censorship raised few complaints until Skype calls began to fail.

Many people here believe the ban runs counter to Dubai's image as the Mideast's most liberal and business-friendly city.

"If the foreign companies Dubai wants to lure here can't use cheap communications tools, that cuts into Dubai's competitiveness on the international stage," Chesman said.