

China threatens to ban illegal VoIP companies

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The Chinese government is threatening to restrict what it describes as "illegal internet telephone providers", which could end access to Skype in one of the world's fastest-growing economies.

Last week, the ministry of information and industry technology called for a crackdown "on illegal Voice over Internet Protocol (VoIP) telephone services" and said it was investigating telecommunications companies with a view to bringing legal cases against them.

VoIP would be allowed as long as it was provided by the state-owned telecoms operators, China Telecom, China Mobile and China Unicom, the ministry said.

Juan Ignacio Cifre, a partner at Delta Partners, a telecoms consultancy in Dubai, said the main reason governments wanted to block VoIP was to protect and maximise the revenues of operators in which they had a financial interest.

"But no matter how much you want to try to block those services, there's always ways to work around and access these services," Mr Cifre said. "However, by banning them, the mainstream of users will not be able to access it and that will impact operators' revenues."

VoIP technology uses data transmitted across the internet to make phone calls free of charge or at rates a fraction of those offered by traditional operators. China's resistance to VoIP matches the stance of a handful of other countries, including the UAE, which have issued similar prohibitions.

The UAE remains one of four countries that do not at present allow Skype software to be downloaded, and block access to Skype's website. North Korea, Oman and Kuwait are the others, while Lebanon is also considering a ban.

The UAE's Telecommunications Regulatory Authority (TRA) said that only telecoms companies licenced to operate in the Emirates, such as Etisalat, du and Thuraya, may offer VoIP services.

Along with competition from du, Etisalat has been affected by VoIP. Although rates vary throughout the world, VoIP is the main reason that Etisalat's customers made 10 per cent fewer international calls over its network between 2008 and last year, the telecoms company said in recent financial filings.

But there could still be a future for Skype in the UAE. Mohamed al Ghanim, the director general of the TRA, says the regulator is in talks to launch the internet communication service legally.

Skype, which opened a Middle East office in Bahrain last year, could not be reached for comment. The TRA declined to comment.

Eric Benedict, the managing director of AlixPartners, a Dubai business advisory firm, said that as a technology, VoIP was not likely to go away and a decision to offer the service legally would come to the Middle East in the "next few years".

"The economics of VoIP make it an unstoppable wave in terms of impact it has had in the region by making phone calls cheaper," he said.

Mr Cifre said that in the future, restrictions on VoIP would be eliminate, and telecoms operators should start investigating how to reduce their dependence on revenue from international calls.

"VoIP will become part of an ecosystem of social networking and it will come to a point in time where it will be difficult for a user to access all types of online systems without having access to VoIP," Mr Cifre said.

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