WhatsApp flap shows importance of message platform to Facebook

Trust in service is increasingly important to leading social network's future

WASHINGTON: When WhatsApp users began to raise concerns about a new privacy policy being rolled out, members of a Washington pickup soccer group decided to switch their communications to rival messaging platform Signal, ditching the Facebook-owned service. The shift was "about moving as many users away from the Facebook empire, which for my liking has become way too big and powerful," said Bernhard Fleck, one of the players.

The flap over WhatsApp's privacy policy - described by Facebook as a misunderstanding about efforts to bring businesses onto the platform - threatens to erode trust in the service which is increasingly important to the leading social network's future. The California giant last month delayed implementation of a new policy which critics said could expand data collection from some two billion WhatsApp users around the world.

Even with the delay in place, the policy caused an uproar and prompted a surge in interest in rival messaging services such as Signal and Telegram. A WhatsApp blog post cited "confusion" over the policy update and maintained that it "does not expand our ability to share data with Facebook".

The update concerns how merchants using WhatsApp to chat with customers can share data with Facebook, which could use the information for targeted ads, according to the social network. The policy will be reviewed and won't be implemented before May 15, according to the company.

Ryan Calo, a privacy researcher with the University of Washington's Tech Policy Lab, said that even though many users misinterpreted the new policy, the backlash is understandable. "The original sin was purchasing WhatsApp and folding it into the business model of Facebook which monetizes all the data they have," Calo said. "The changes aren't as dystopian as some people are thinking. But it is moving to a model that many people don't trust."

WhatsApp, acquired in 2014 for some $19 billion - the largest sale of a venture-backed firm at the time - is seen as a strategic asset for Facebook as it faces slowing growth for its core social network and looks to expand its offerings for connecting users and businesses. The controversy comes as Facebook seeks to integrate its "family" of applications with a common technology and provide more ways for people and businesses to connect, while US antitrust enforcers meanwhile press to "unwind" Facebook's acquisition of WhatsApp and Instagram.

Merrill Lynch analyst Justin Post said in a recent research note that "we continue to see WhatsApp as an important driver of potential future Facebook stock value" and predicted that the social media giant would overcome these issues as it did with the Cambridge Analytica political scandal.

With easy connections for voice and video calls, WhatsApp has a strong global user base but has not begun any meaningful monetization of the service, said Jasmine Enberg, senior analyst of global trends at the research firm eMarketer. "It was only a matter of time before Facebook worked out a way to make it into a revenue stream," Enberg said.

She added that since Facebook has apparently ruled out using WhatsApp for advertising, it is moving toward making it an e-commerce platform along the lines of China's WeChat with business tools for customer service and support.

Privacy advocates point out that WhatsApp has in fact been sharing data with Facebook since it implemented a new policy in 2016, except from users who opted out at that time. Data from European Union users has also been excluded without affirmative consent under EU privacy laws. Indicating that WhatsApp users could no longer opt out last month, "was a little insulting to people's intelligence," said Gennie Gebhart, a privacy researcher with the Electronic Frontier Foundation.

"A lot of people joined WhatsApp to get away from Facebook, but now they are seeing they are sharing their data with that company," she said. But Gebhart said users have limited options now because of the so-called "network effect" - with so many people on WhatsApp, it's difficult to move away from the free service.

According to eMarketer data from last year, WhatsApp had more than 99 percent of mobile messaging app users in Brazil, 97 percent in India and 52 percent in the United States. Enberg said the latest privacy dust-up is unlikely to slow momentum for WhatsApp and Facebook, especially since there is often a "disconnect" between what people say and what they do on privacy. "Sure, many people left and more may leave," she said. "But it's unlikely we will see a mass exodus. And WhatsApp's user base is already so large, it would take precisely that to make a significant dent." — AFP

Tougher EU privacy rules loom for Messenger, Zoom

BRUSSELS: Messaging apps such as Messenger or WhatsApp and video calls on Zoom face stricter privacy rules in Europe, after a draft law passed a key EU hurdle yesterday.

The EU's 27 member states approved a proposal that was stuck since 2017, with countries split between those wanting strict privacy online and others wanting to give leeway to law enforcement and advertisers. Portugal, which currently holds the EU's rotating presidency, submitted a compromise proposal that was approved by qualified majority at a meeting in Brussels.

"The path to the council position has not been easy," Portugal's minister of infrastructure Pedro Nuno Santos said. "But we now have a mandate that strikes a good balance between solid protection of the private life of individuals and fostering the development of new technologies and innovation."

France, which wants to give its police forces stronger tools to fight terrorism, wants to limit the law's curbs on access to private data.

The fight against child pornography was also a major concern of many member states. But Germany supported far more robust privacy rules, with fewer exceptions. In the approved text, member states agreed that service providers are allowed "to safeguard the prevention, investigation, detection or prosecution of criminal offences". In addition, companies such as Facebook and Google, can continue to process metadata of their users, but only with consent and if the information is made anonymous.

The final text also lent support to the advertising industry and abandoned a plan to ban so-called cookies that closely track user activity online. The proposal updates existing EU rules that date back to 2002, under which strict privacy protection is only applied to text messages and voice calls provided by traditional telecoms, sparing tech giants. Portugal will now negotiate with the European Parliament on a final version of the plan, that would then need ratification by MEPs and the 27 member states.

But the lead parliament's rapporteur overseeing the negotiation warned that the talks would be rigorous. "It is to be feared that the industry's attempts to undermine the directive over the past years have borne fruit- they've had enough time to do that," Birgit Sippel, a German MEP from the center left S&D group, said. "We must now analyze in detail whether the proposals of the member states really contribute to better protecting the private communication of users online, or instead primarily serve the business models of some digital corporations." — AFP

Thyssenkrupp sees 'signs of recovery' after virus hit

BERLIN: Troubled German industrial giant Thyssenkrupp said yesterday it narrowed losses in the first quarter, buoyed by a "recovery" in demand for steel and car parts after the initial hit from the pandemic. The Essen-based group, which is in the throes of a painful restructuring, posted a net loss of 141 million euros ($171 million) between October and December, compared with a 449 million euro loss over the same period a year earlier.

The group made an adjusted operating profit of 78 million euros, reversing a loss of 185 million euros in its first quarter a year ago.

"We're noticing signs of an economic recovery and our measures are starting to bear fruit. But we're not out of the woods yet," CEO Martina Merz said in a statement. The long-struggling conglomerate, which employs around 100,000 people, last year sold off its lucrative elevator business to fund a turnaround plan that will include 11,000 job cuts.

The coronavirus outbreak compounded Thyssenkrupp's woes, pushing it deep into the red in its 2019/2020 fiscal year as lockdown measures closed dealerships and disrupted production at factories around the world. But the group said economic activity picked up in the final stretch of 2020 and it saw strong demand for car parts and industrial components used in wind energy, particularly in China and Germany.

Catch-up demand from the auto and construction sectors also boosted Thyssenkrupp's long-struggling Steel Europe unit, which has been battered by years of cheap Chinese competition.

Thyssenkrupp has repeatedly indicated that it is looking for a partner to shore up its steel operations. It has yet to formally respond to a takeover offer from Britain's Liberty Steel last October. Looking ahead, Thyssenkrupp said it now expects a "significant improvement" in full-year adjusted operating earnings towards "almost break-even", after earlier forecasting a pre-tax loss in the mid three-digit million euros range. — AFP

China factory prices see first rise in a year

BEIJING: Factory prices rose in China for the first time in a year last month as the country's vast industrial sector leads a recovery from the virus pandemic, with analysts hailing the data as a turning point for the world's number two economy.

But the lingering effects of the disease weighed on the country's vast army of shoppers as consumer prices slipped, hit by new outbreaks that led to the reimposition of containment measures.

Official data showed the producer price index (PPI), a key measure of input costs, came in at 0.3 percent in January, having fallen every month but January in 2020 owing to a collapse in demand as the virus broke out around the country and then the world. The figure was in line with forecasts and a big improvement in the 0.4 percent fall seen in December. "We believe that the turn of PPI is very solid, from a deflation trend to an inflation trend," said ING chief economist for Greater China Iris Pang. "Although this is mild, it is a turn, a very important turn, and it will last for the rest of 2021."

The reading comes as China leads a recovery in the world economy, with the rollout of vaccines and slowing infection rates fuelling hopes that lockdowns and other containment measures can be eased, setting up a huge bounce this year. However, the consumer price index edged down a worse-than-expected 0.3 percent as a spike in infections that led to new tough restrictions in the north of the country combined with a high base from January last year.

"With the Spring Festival (Lunar New Year) taking place in February this year, and the impact of a partial epidemic spread, there were decreases in both residents' travel and some contact-based services in January," said National Bureau of Statistics official Dong Lijuan.

Dong added that air ticket prices fell by a third, while travel agency fees dropped nearly 10 percent.

Consumer prices in China fell in January after a brief improvement at the end of last year.

This year, authorities have been encouraging residents to stay at home instead of travelling for the holiday owing to the virus but CPI is still tipped to recover. "Consumer price inflation is likely to spike in February as the New Year effect reverses," said analysts at Capital Economics, adding the slip in January was "no cause for concern". Pork prices, however, continued a downward trend after costs of the staple meat soared last year as an African swine fever outbreak led to the culling of more than a million animals. — AFP

Equinor posts deep 2020 loss, sells US assets

OSLO: Norwegian energy giant Equinor reported yesterday a deep loss for 2020 as the coronavirus pandemic slashed demand and prices and announced it was divesting its loss-making US assets.

Equinor was the latest oil group to fall heavily into the red in 2020, reporting a net loss of $5.5 billion compared to a profit of $1.8 billion in 2019. That is the biggest annual loss ever reported by the group, according to financial news site e24.no.

Equinor said it was selling off its interests in the Bakken oil field straddling the US states of North Dakota and Montana to Grayson Mill Energy, backed by EnCap Investments, for around $900 million.

After a series of ill-fated investments, Equinor has accumulated more than 200 billion kroner ($23.7 billion) of losses in the US in recent years. A large share of that stems from the Bakken field which, in the fourth quarter of 2020, contributed around 48,000 barrels of oil equivalent per day to Equinor's production.

"Equinor is optimizing its oil and gas portfolio to strengthen profitability and make it more robust for the future," chief executive Anders Opedal said in a statement. "By divesting our Bakken position we are realising proceeds that can be deployed towards more competitive assets in our portfolio," he added.

Analysts at RBC Europe questioned the timing of the operation. "Given the weak performance from its US assets in recent years, and multiple rounds of impairments, we believe the company was under pressure to retrench from its international expansion efforts," they said in a note.

"Clearly it is not a good time to be selling upstream assets," they added. Equinor's adjusted operating income, which excludes one-off items and is its preferred indicator, fell to $3.9 billion from $13.5 billion a year earlier.

Sales dropped 29 percent to $45.8 billion in 2020. Like its peers, Equinor was hard hit by the coronavirus pandemic and the ensuing economic crisis in 2020, as Brent oil prices briefly dropped below $20. Oil prices even fell into negative territory at one point early last year as the pandemic saw governments worldwide impose harsh lockdown restrictions.

In the last few months however prices have recovered steadily, with Brent crude now back above $60 after producers cut output and the global economy shows signs of a rebound.

Owned 67-percent by the Norwegian state, Equinor was able to mitigate some of the damage by cost-cutting, yielding savings of $3.7 billion in 2020. — AFP