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The Dubai Ports Controversy: An Uproar Heard Round the World
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by Jade Miller

Dubai-based Dubai Ports World (DP World) announced its takeover of P & O, a British company shipping and logistics company on February 13 to little fanfare. Coverage of the \$3.7 billion deal was restricted mainly to the business section of international news sources, if it was covered at all. Almost none of these outlets made mention of the transfer of management of six U.S. ports from P&O to DP World included in the deal. Only when Senator Charles Schumer spearheaded a high-profile campaign against the deal, did wide spread objections begin to surface.

To date, deal opponents have been mainly domestic. Most objections center on the national security considerations of surrendering control over U.S. ports to a company based in the United Arab Emirates. Some suggest that an Arab world-based company is more prone to terrorist infiltrations while others are particularly troubled by the fact that the UAE government owns and operates DP World. Still others highlight the fact that DP World's Arab ownership is a secondary consideration and that the case highlights the need to bring all American ports back under domestic ownership.

Despite high levels of American popular support for such arguments, the political uproar over state-owned DP World's planned takeover of the management of six American ports has sparked overwhelmingly negative reactions around the world. Many characterize the controversy as strategic political posturing by US Congressmen involved. Almost universally, journalists and political pundits alike have characterized the ports controversy as fundamentally detrimental to the United States image, and contradictory to American positioning as pro-trade, pro-globalized markets, pro-diversity, and pro-cooperation with Middle Eastern allies.

Allegations of nationalism, xenophobia, and general anti-Arabism abounded. Claims of racism were particularly strong from Middle Eastern commentators. Many editorials question why the American public so adamantly objects to the deal. Many journalists and politicians-- including President Bush—have expressed worry that American resistance to the ports deal will inhibit future peaceful economic and political cooperation by the United States with Middle Eastern allies.

However, the implications for the US economy has emerged as the dominant theme of

the discourse surrounding the ports controversy, particularly after DP World decided to divest itself of the six American ports at the center of the conflict. This decision shifted the center of concern from the implications for US-Arab collaboration and President Bush's political vulnerability to more general speculation that the US may move towards a more protectionist and isolationist trading strategy. Most recent coverage has focused on the whether the ports controversy will initiate declines in international investment in the United States and detrimentally effect the American economy. The following is an aggregation of key articles and commentary about the Dubai ports controversy. If you would like to post your reactions and ideas about this issue, you can add your comments at the bottom of this page.

Editorials

Whither Dubai?

(Jessica Holzer, *Forbes*, March 13, 2006)

But aside from sowing confusion among investors and, potentially, a raft of unworkable economic policies, the furor over the ports deal and its ultimate demise is most damaging to American credibility in the Middle East.

Insidious harm

(*Jordan Times*, March 12, 2006)

But free trade is meaningless if business deals are going to be opposed on grounds of ethnic prejudice in the US itself. While the greatest damage to the US in this region is being done by belligerent and biased US regional policies, policies can change. Prejudices do not change quickly and are far more insidious and far more dangerous in the long run.

Washington and the Ports of Paranoia

(Tariq Alhomayed, *Asharq Al-Awsat*, UK, March 11, 2006)

Their positions of paranoia can only lead to a cultural split. It seems that the future generations will have no choice but to dance to the rhythm of extremism and obscurity. The Americans can justify their position towards the ports issue as much as they want, but the problem that remains is that the message that they have sent to the Arab world is worse than they imagine.

Ports Deal Shows Roadblocks for Globalization

(Greg Ip and Neil King, Jr., *Wall Street Journal*, March 11, 2006)

If this backlash doesn't fade, it could disrupt a world economy that has become increasingly interdependent. The risk to the U.S., in particular, is that it will discourage the flow of foreign money on which the U.S. economy depends, potentially raising interest rates and slowing the pace of economic growth.

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Donor Fallout From Port Flap

(Sally Beatty, *Wall Street Journal*, March 10, 2006)

Arab philanthropists and their governments have made several major contributions to U.S. agencies and nonprofits in recent months. Now, some donors and recipients say the giving could be derailed in the wake of a controversy over whether a Dubai company should operate several U.S. ports.

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Dubai Deal's Collapse Prompts Fears Abroad on Trade With U.S.

(Eduardo Porter, *New York Times*, March 10, 2006)

DP World's decision yesterday to transfer a handful of American port terminals, rather than chilling interest in investing in the United States, may actually have made it safer for foreigners by relieving some of the political pressure that was building up against them. But as part of a pattern of other antforeign actions in Washington, fears remain that the United States is becoming a less welcoming place for investment from overseas.

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Arab Assets May Seek Other Ports in Storm

(Evelyn Iritani, *Los Angeles Times*, March 10, 2006)

Middle East experts said congressional outrage over Dubai Ports World's \$6.8-billion purchase of a British port company that operated in five U.S. cities could scare off foreign capital and lead Arab investors to shift their money to such booming economies as India and China.

For Bush, No Port in this Storm

(Richard S. Dunham, *BusinessWeek*, March 10, 2006)

Now, with the White House, congressional Republican leaders, and the government-owned Dubai company trying to quell an unexpected political firestorm, the simple business deal looks more like the thread that could unravel Bush's standing on many fronts. "It's an electoral disaster," says Republican strategist Frank Luntz. "This is potent because it legitimizes all the Democratic attacks of the past three years that the President isn't paying attention."

Anti-Arab

(*Arab News*, Saudi Arabia, March 10, 2006)

Congress clearly regards Arabs as untrustworthy — there to fight terrorism, keep the oil flowing, buy American goods and services and generally jump to Washington's beck and call. Congress in no way regards Arabs as partners and equals. It is neocolonialism and there has to be an Arab response.

Departure Port

(Byron York, *The New Republic*, March 7, 2006)

But, of course, Republicans are angry for political reasons, too. For them, the port deal is symptomatic of the high-handed way the White House treats its congressional allies. For years now, many lawmakers have been willing to put up with such treatment, because they believed there was a finely tuned political machine in the White House that would ultimately prevail. Now, they no longer believe that, and they're worried.

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Port Deal Raises Serious Concerns

(Michael O'Hanlon, *Baltimore Sun*, March 2, 2006)

The policy also underscores the point that, however reputable UAE officials are, however trustworthy the DPW management team may be, however nonviolent most UAE citizens undoubtedly are, there are nonetheless far more al-Qaida members living in the Middle East than in most other parts of the world. Recognizing this does not make anyone racist. It is simply a fact. That means there is a serious case for drawing a distinction between ownership of port operations by a British, a Korean or even a Singaporean firm and one run by a company in the UAE. (Whether Chinese firms should run U.S. ports is another matter, but a largely separate one.)

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The Ports Deal: A View From the UAE

(Abdulkhaleq Abdullah, *Gulf News*, (UAE) March 2, 2006)

Swapping a sound business package, which is in the best interest of the US, for petty political gains is not what the outside world expects from champions of free trade and economic liberalisation in the US Congress.

Arabian Dreams: The Emirate Has Too Much to Lose by Being a Security Risk

(*The Economist*, March 2, 2006)

The strategy of turning Dubai into an international hub for transport, tourism and international business would be threatened if America decided that Dubai is also a hub for terrorism. That is why, ultimately, Dubai's security concerns are just the same as America's. It cannot afford any compromise on the issue, because that would destroy its dream.

Opposition to Port Deal Misguided

(Larry Kudlow, *Kansas City Star*, March 2, 2006)

What is going on right now is simple Islamophobia. The Democrats who are vocally against the deal are assuredly motivated by political gain. But Republicans should know better. If we're to win the fight against the Islamofascists, a tiny minority of the Muslim community, we cannot afford to erect political, trade or commercial barriers against Arab nations that have aligned themselves with the United States in the terror war. Repulsing them is just plain stupid. Tearing down barriers to promote global connectivity is a much better strategy wherever it makes national-security sense.

Decent Interval

(Larry Kudlow, *Houston Chronicle*, March 1, 2006)

Yet informed critics of the deal legitimately point out that Dubai is not a democracy. It's an emirate with a state-imposed religion: Islam. It's also produced two terrorists whose distortion of Muslim thought drove them to murder Americans on 9/11. It's perfectly reasonable to ask how Dubai can guarantee other religious extremists can't infiltrate a state-owned company for access to U.S. port information.

A Free Market, Until an Arab Company Shows Up

(Gerard Baker, *The Times*, London, February 28, 2006)

Most Americans seem to have an impressively level-headed view about the free global market in capital. Until, that is, an Arab company wants to improve the way US ports are run.

Dubai Ports Row Has Left Bush High and Dry

(Irwin Stelzer, *The Sunday Times*, London, February 26, 2006)

That's not all. If America puts down an unwelcome mat for Dubai, it will also be sending a signal to foreign investors in China, Russia and the Middle East that hostility to foreign investment is high. They might decide to put their money elsewhere.

Bush Strikes Stormy Waters as Voters Lash Sale of Ports to Arabs

(Michael Gawenda, *Sydney Morning Herald*, February 25, 2006)

Picture a potent mix of latent anti-Arab sentiment in America, growing concern the Bush Administration is dysfunctional and politically inept, and a sense that Mr Bush can no longer be trusted with national security. That is behind the furore over the approval of the takeover by an Arab company of terminals at six US ports.

The Uproar Over U.S. Ports is at Best Flawed and at Worst Racist

(*The Daily Star*, Lebanon, February 24, 2006)

The criticism of the deal is not based on facts, but on politics, with an eye toward November elections. But it makes no sense to raise this issue now while ignoring the mountain of serious errors committed by the Bush administration - including its handling of the Iraq war and its reckless spending binge. It only sends a message to the people of the U.A.E. and other Arab countries is that no matter how much commitment they show toward the war on terrorism, the Americans will always consider them terrorist suspects.

Though Handled Poorly, Port Deal is the Right Call

(Elizabeth Sullivan, *The Seattle Times*, February 24, 2006)

Making it seem that America dislikes all Arabs could cause far more damage to U.S. security interests than a port-management contract in which pencil pushers have limited ability to monkey with security. There may be a legitimate — even pressing — argument that some ports, like New York Harbor, are so critical to national security, given their proximity to millions of people, that their terminal operations cannot be outsourced to non-U.S. firms. In that case, make that argument directly without introducing the canard that all Arabs are terrorists in waiting, and that it's possible to return to a world of safety where all security loopholes can be plugged. They aren't, and we can't.

Calm down, it's only a commercial deal

(William Greider, *The Guardian*, UK, February 24, 2006)

Yet Bush's diplomats travel the world banging on governments for trade rules that defenestrate a nation's sovereign power to run its own affairs. The US government regards itself as comfortable with this arrangement since it assumes the superpower can always get its way. Most citizens are never consulted. They are perhaps unaware that their rights have been given away, too. It would be nice to imagine this ridiculous episode will prompt reconsideration, cool down exploitative jingoism and provoke a more

rational discussion of the multiplying absurdities. I doubt it. At least it will be satisfying to see Bush toasted irrationally, since he lit the match.

How to Sound Like a Hawk Without Being One

(*Wall Street Journal*, February 22, 2006)

As for the Democrats, we suppose this is a two-fer: They have a rare opportunity to get to the right of the GOP on national security, and they can play to their union, anti-foreign investment base as well. At a news conference in front of New York harbor, Senator Chuck Schumer said allowing the Arab company to manage ports "is a homeland security accident waiting to happen." Hillary Clinton is also along for this political ride.

Port Hysteria

(*L.A. Times*, February 22, 2006)

The problem is that blocking the Dubai deal wouldn't do a thing to change any of that. It only provides members of Congress an opportunity to talk tough and pander to the terrorism-rattled xenophobe in us all.

Bush's Bad Port Call

(*The Telegraph*, UK, February 23, 2006)

On the face of it, it is a story of anti-Arab sentiment and post-9-11 jitters. But actually, like just about anything that catches Washington's attention these days, it tells you far more about political positioning and posturing ahead of the autumn's congressional elections.

Articles

US Port Moves 'Could Affect Business Ties'

(Stanley Carvalho, *Gulf News*, UAE, March 13, 2006)

The UAE Central Bank Governor yesterday said the controversy surrounding the DP World deal to manage port operations in the US would not affect the free trade negotiations but could impact negatively on the business relations between the two countries.

President: Ports Deal Defeat Sends Wrong Message

(David Greene, *NPR's Morning Edition*, March 10, 2006)

President Bush says he is troubled by the protests that led to the collapse of the Dubai Ports World deal. He said Friday that the fight against the deal sends a bad message to moderate American allies in the Middle East like the United Arab Emirates.

U.S. Businesses Are Lining Up Behind Dubai

(Heather Timmons and Leslie Wayne, *New York Times*, March 8, 2006)

As the Bush administration re-examines a proposal to allow a Dubai company to take over operations at some American ports, executives from unrelated businesses have quietly begun lobbying in Dubai's favor, fearing that recent fierce criticism could damage trade with the United Arab Emirates.

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Transport chiefs warn on ports takeover opposition

(Andrew Ward, *Financial Times*, March 8, 2006)

Leaders of the US transportation industry have warned that rising protectionist sentiment is posing a threat to the economy and called for greater public education about the benefits of global commerce. The comments, made at a conference in California, reflect fear that opposition to Dubai Ports World's takeover of five US port facilities could signal weakening public and political support for open markets.

UAE warns of threat to investments in political row

(David Litterick, *The Telegraph*, UK, March 2, 2006)

The economy minister of the United Arab Emirates, the country at the heart of the row, said that while political pressure to block the deal would not prevent the Gulf state from seeking further investments in the US, it would likely give other countries pause.

Outside U.S., Puzzlement Over Reaction to the Dubai Port Deal

(Heather Timmons, *New York Times*, February 25, 2006)

Yet nowhere else has the deal for P.& O., as the company is known, drawn much anxiety. Instead, the call from American politicians to review the purchase, and some of the talk surrounding the discussion, has cast the United States in a negative light to outsiders.

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Opinion polls

41% Say U.S. Winning War on Terror

(*Rasmussen Reports*, March 15, 2006)

It is likely that the recent decline in respondents who believe the U.S. is winning the war on terror is tied to concern about the Dubai Ports deal. Before that deal was announced, 43% of Americans believed the U.S. was safer than it was before the 9/11 attacks. Thirty-nine percent (39%) say it was not. Those numbers have reversed--just 39% now believe the U.S. is safer and 43% say it is not.

Just 17% Favor Dubai Ports Deal

(*Rasmussen Reports*, February 24, 2006)

Just 17% of Americans believe Dubai Ports World should be allowed to purchase operating rights to several U.S. ports. A Rasmussen Reports survey found that 64% disagree and believe the sale should not be allowed. Just 39% of Americans know that the operating rights are currently owned by a foreign firm. Fifteen percent (15%) believe the operating rights are U.S. owned while 46% are not sure. From a political perspective, President Bush's national security credentials have clearly been tarnished due to the outcry over this issue. For the first time ever, Americans have a slight preference for Democrats in Congress over the President on national security issues. Forty-three percent (43%) say they trust the Democrats more on this issue today while 41% prefer the President.