

The Dubai Ports World Controversy

There has been much political controversy over Dubai Ports World's takeover of P&O, the United Kingdom-based ports operator that controls five container terminals at ports on the East Coast of the United States. Though the Committee on Foreign Investments in the United States (CFIUS), which reviews foreign takeovers of US assets, has already cleared the deal, Democrats and Republicans in the Congress have launched vociferous attacks against the deal, claiming ownership of US ports by the Dubai-based company would compromise US national security. With President Bush firmly supporting the deal, the stage is likely set for an intense showdown between the president and the Congress over foreign ownership of US assets—a showdown that has been brewing since China National Offshore Oil Corp.'s (CNOOC) attempted takeover of Unocal last year.

The controversy presents enigmatic challenges to President Bush's administration and the Congress in dealing with foreign takeovers or control of US entities and assets. In addition, the outcome of this controversy and the manner in which it is handled will likely influence the world's perception of America's disposition towards globalization. In considering the ultimate fate of this deal, the Administration, the Congress, and the American people must ask themselves the following questions:

- Do we want US assets to be owned by foreign entities that are sponsored by or controlled by foreign governments?
- Do we want to allow US assets to be owned by Arab entities that are backed by government institutions of Arab countries?

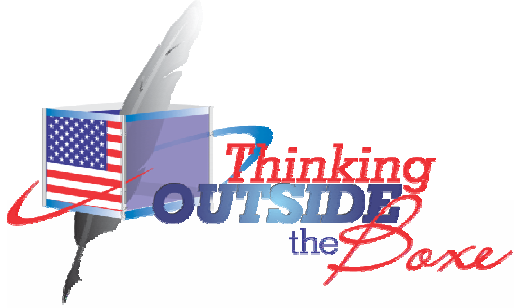
If the rising tide of public unease over the deal and the actions of some members of the Congress, such as Hillary Clinton who has said she would introduce legislation to block the deal on national security grounds, are any indication, this deal is doomed. And if the reaction of the Congress and the people to the CNOOC deal is any indication of our proclivity towards foreign takeovers, the DP World deal will fail in the face of mounting public opposition. On economic grounds, Thinking Outside The Boxe sees little reason that the deal should not be approved. Indeed, even those opposed to this deal have failed to produce any evidence or legitimate argument that the United States, its citizens, or private businesses would be

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A Division of Global Financial Analysts, Inc.

PO Box 6895

Myrtle Beach, SC 29572

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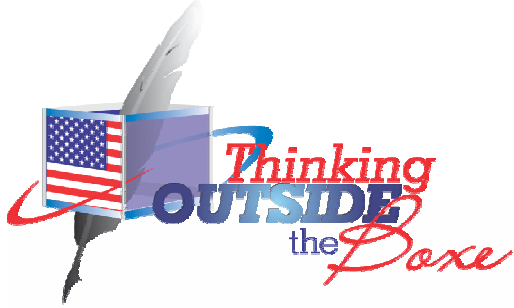
economically disadvantaged in the event of a consummation of this deal. Rather, those opposed to this deal have objected to its very nature on national security grounds, claiming that DP World's control via long-term leases of five container terminals at ports along the East Coast would compromise our national security and make us more susceptible to further terrorist attacks.

There is a certain degree of hypocrisy in opposition to this deal. After all, the five container terminals in question are already controlled by a foreign entity, albeit a British-owned publicly traded company. Does this set a double standard in that we allow US assets to be owned by a company from country A but not from country B? The acquisition of IBM's personal computer business by Lenovo, a Chinese company, was approved with little objection. And not much is said with regards to CITGO, the Houston-based refiner that is wholly owned by Petroleos de Venezuela, S.A., the national oil company of the Bolivarian Republic of Venezuela—a country whose leader, Hugo Chávez, has strong and dangerous hostilities towards the United States. However, CNOOC's acquisition of Unocal was blocked last year based on security grounds, even though Unocal's assets were based primarily in the Asia Pacific region and accounted for very little US oil production.

With respect to the two questions posed earlier, it would seem that critics of this deal have answered in the affirmative to the second question. Obviously, they do not want US assets to be controlled by entities associated with Arab governments. Though some in the media have called this criticism racist, Thinking Outside The Boxe does not believe that objection to this deal has been racially motivated. We believe that critics of this deal are genuinely concerned that allowing this deal to proceed may jeopardize our national security. But are the perceived risks posed by this deal truly overwhelming and are these perceived risks of such a magnitude that this deal should be blocked?

It is worth noting that the United Arab Emirates has been a supporter of the US-led war against terror, in many ways helping the US Treasury crack down on financiers of the terrorist networks. Of all Arab nations, the United Arab Emirates has been the most amicable towards the West and has, in some ways, come to embrace Western styles, ideals, and capitalism. Dubai has become a playground for the jet setting, rich and famous crowd. And with its oil wealth paling in comparison to other Arab nations, the United Arab Emirates

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has endeavoured to become the leading financial centre for the Middle East. Though this behaviour could be a concerted effort to dupe the rest of the world by presenting itself as a pro-Western Arab nation in an effort to cover secret terrorist sympathies, this seems a highly unlikely scenario.

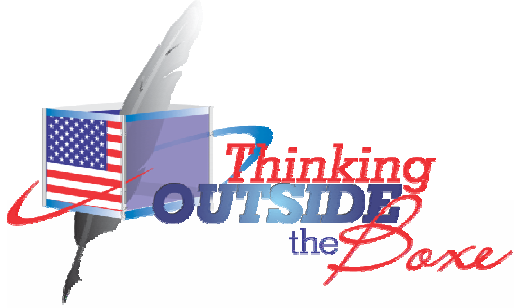
Dubai Ports World is a global container ports terminal operator with facilities in Germany, Romania, Dominican Republic, Venezuela, the Middle East, China, India, South Korea, and Australia. It has a favourable reputation for quality and service. Its executive management team includes multinational personnel. DP World initially indicated that it would be willing to forgo taking operational control of the five ports on the US East Coast until the Congress has had more time to examine the implications the deal would have for national security. In addition, DP World has indicated that it is willing to submit the deal to further investigation over a forty-five day period in order to assuage the concerns of those opposing the acquisition of P&O. Other concessions made by DP World include the following:

- Managing the US operations as a separate business unit,
- Chief security officer to be a US citizen, unless otherwise approved by the US Coast Guard.

The circumstances seem to suggest that DP World and its leadership are open to further scrutiny of the deal and are willing to work with the Administration and the Congress in order to arrive at an agreement that is satisfactory for all parties. The concessions already made by DP World in order to help allay Congressional members' fears would seem to suggest that the leadership is sympathetic to the concerns of the US and is amenable to listening to options that may help to secure a conclusion to the deal. It is unlikely that a company with totally malicious intentions would allow the deal to be opened to additional scrutiny and examination or make concessions that would jeopardize its evil plans. Or would they do so in order to throw us all off with their double faced behaviour to conceal the fact that they may be speaking with a split tongue?

Thinking Outside the Boxe believes that the preponderance of the evidence suggests that this deal should be allowed to go through. It is not unreasonable to allow another period in which members of the Congress can further scrutinize the deal for any potential threats to

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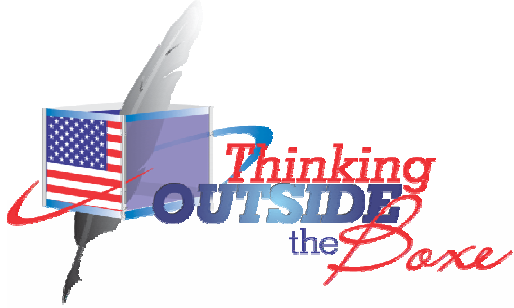
national security. In the end, however, the first line security at the five ports in question will still be the responsibility of the Coast Guard, the Department of Homeland Security, and the local law enforcement. During the next phase of examination, the Congress should ask probing and difficult questions with respect to this deal and its ramifications. Having done this, it is likely that most of the concerns may be addressed in a manner that is satisfactory to all parties and in a way that will allow the deal to proceed.

To be sure, mistakes have been made during this debacle. Politicians on both sides have attempted to seize upon this issue in an election year, for political showmanship and in an effort to gain political capital. Such vociferous objection to this deal will likely send the wrong signal to those friendly Arabs who have helped us and will likely continue to help us in the war on terror. Opposition that kills the deal could create an unwelcome and dangerous backlash amongst moderate Arabs in the Middle East against the United States and what would be perceived as hypocrisy. The Congress must address this issue in a dignified fashion and refrain from making suggestive remarks linking this deal and DP World to the potential for further terrorist attacks.

But this debacle may have been preventable. President Bush and members of his administration could have handled this matter in a more subtle fashion. Had the Administration released the findings of its investigation into this deal to the Congress, a great deal of acrimony would likely have been removed from this process. This may have helped to warm members of the Congress to the merits of this deal. In addition, explaining the rationale behind the Administration's support for the deal and further detailing the results of its investigation could have helped to reduce public opposition to the deal by allaying many concerns voiced by the people. Approaching the matter in a more skillful manner could have helped to avoid the infighting that is occurring now.

Thinking Outside The Boxe has long been an advocate of increasing our national security efforts and protecting ourselves from future terrorist attacks. We are aware that not all Arabs are terrorists. However, we have also repeatedly pointed out that all the terrorists have been Arabs. But we should not let this fact poison us against deals that further promote globalization, which in the long-run benefits consumers and businesses alike. Suspicions are often far worse than the truth. We must not let our suspicions taint

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our judgment and compromise the good relations that we have with Arab nations that have worked with us in the war on terror and that set a good example of governance in the Arab world.

Great care and jurisprudence must be taken in assessing the merits and disadvantages of allowing this deal to proceed. Vulnerability at US ports has been a long-standing issue and concern, most notably voiced by Fritz Hollings, former Democratic Senator from South Carolina. We would be remiss if we were to claim that the thought of an Arab government-backed company having operational control at US ports does not create a certain degree of discomfort. But President Bush is right in saying that we do not want to send mixed signals to friendly governments in the Arab world. From all indications, this deal will not likely increase the risk to America of further terrorist attacks and, based on that, should be allowed to go through, particularly given the willingness of DP World to work with the Congress to ensure that their concerns are adequately addressed. However, we believe that every effort must be made to ensure that this deal will not jeopardize America's security.

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