

U.S.-U.A.E. Delay Talks as Bush Cites `Concern' on Ports Deal

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The U.S. and United Arab Emirates delayed free-trade talks following yesterday's collapse of a Dubai company's plans to run U.S. ports, and President George W. Bush said he was ``concerned" about the message sent to allies by the scrapping of the deal.

The two countries ``need additional time to prepare" for a fifth round of negotiations that had been scheduled for this month, said Neena Moorjani, a spokeswoman for the U.S. Trade Representative's office in Washington.

In a speech to newspaper executives, Bush linked the scotched agreement to the war on terror. ``In order to win the war on terror, we have got to strengthen our friendship with moderate Arab nations," the president said in Washington.

The derailing of the ports plan was a setback for the president, who was rebuffed by fellow Republicans who said they feared potential security risks. Polls showed strong public opposition to the agreement.

While two nationals from the U.A.E., of which Dubai is a part, participated in the Sept. 11 attacks, Bush reiterated today that the emirates have become a ``valued and strategic partner" in the war on terror.

Poised to Block

With Congress poised to pass legislation blocking agreement, state-owned DP World yesterday abandoned its efforts to assume control of operations at six major U.S. seaports as part of its \$6.8 billion acquisition of London-based Peninsular & Oriental Steam Navigation Co. DP World said it would sell P&O's leases on the ports to a U.S. entity.

The dispute had raised fears of damage to commercial and diplomatic ties between the U.S. and the U.A.E., as well as other Middle Eastern countries. Reem al-Hashimy, commercial attaché of the U.A.E. Embassy in Washington, said in an interview yesterday that ``the decision was really done primarily to salvage the relationship between the U.A.E. and the United States."

The U.S. trade office didn't make a connection between the row over the ports deal and the free trade accord, and wouldn't elaborate on the reason for delaying the talks.

The two developments are linked, said Timothy Deal, senior vice president of the U.S. Council for International Business in Washington, which advocates on behalf of U.S. companies. ``Because of what happened, it makes the timing" for trade talks too difficult for both nations, he said.

Bush Drive

The talks had proceeded without controversy since they began in November 2004.

The U.A.E. trade agreement is part of a drive by Bush to form an economic link between the U.S. and the Middle East. In addition to the U.A.E., the U.S. has completed talks with Oman, which could come up for a vote in Congress as early as this month, and a separate agreement with Bahrain that has already been ratified by lawmakers.

Some analysts said another fallout of the ports deal may be a reluctance of Middle East investors to make high-profile purchases of U.S. companies. "It will have a chilling effect on Middle East direct investment in companies," said Gary Hufbauer a senior fellow at the Institute for International Economics in Washington.

"Congress needs to walk a fine line in ensuring transactions continue to be scrutinized without chilling the foreign investment the U.S. needs," said David Marchik, a partner at the Washington law firm Covington & Burling and author of a soon-to-be published book on foreign investment.

Political Damage

The controversy has damaged what was supposed to be a political rebuilding year for Bush, who in 2005 failed to sell to the U.S. public and Congress his plan to change Social Security, which he had framed as the signature domestic issue of his second term.

The administration's response to Hurricane Katrina and sectarian fighting in Iraq intensified criticism of him, and Americans in the most recent Bloomberg/Los Angeles Times poll opposed the port deal by a margin of more than three to one.

Bush's approval rating fell to its lowest level ever in an Associated Press/Ipsos poll this week, dropping to 37 percent from 40 percent last month. Two-thirds of Americans said they believe the country is on the "wrong track," according to the March 6-8 survey.

"I have said all along that I thought the administration didn't handle this very well, and I'm glad now that at least to most people's satisfaction, it's been resolved," Senator Rick Santorum, a Republican from Pennsylvania who is running for a third term this fall, said yesterday.

More Say

Still, some in Congress want more say in how such acquisitions are approved and will work to change the process, now handled solely by the executive branch. One proposal by Minnesota Republican Senator Norm Coleman would bar foreign government ownership of vital U.S. assets.

The administration in January approved DP World's purchase of P&O after a 30-day review. Congressional criticism drove DP World to agree to a new 45-day review of the deal. That extended review had just begun.

“I think that Congress has to have a say,” said Senator Richard Shelby, an Alabama Republican. “We’ve got to have a meaningful way to vet these deals.”

The debate let Democrats gain the upper hand, at least temporarily, on national security, an issue that has always been a strong suit for Bush. Democratic strategists said the controversy could lessen the Republican advantage on that issue.

‘Good for Democrats’

“Any political observer will tell you that any development that lessens or negates the Republican advantage on security is a good thing for Democrats, which is why they will keep talking about it,” said Joe Lockhart, a strategist who served as press secretary to President Bill Clinton.

The administration may also find it needs to consult more with Congress to have success on other policy matters, said Republican strategist Rich Galen, who headed GOPAC, the political action committee run by former House speaker Newt Gingrich.

“Departments didn’t talk to departments, agencies didn’t talk to agencies, and then, once the news reached the White House, the White House didn’t think to talk to Congress,” Galen said. “It’s almost unprecedented.”

Galen said the issue isn’t likely to have a lasting effect on Bush because members of his own party anxious to separate themselves from the president heading into November’s elections can now do so.

“If any Democrat campaigns against them by saying they are Bush clones, they can say, ‘Oh yeah? What about the Dubai ports deal?’” Galen said. “For most members, they have established as much distance from the president as they need.”

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