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TFS: ...happy to have you here today. Tell us first about the Institute for Research Middle Eastern Policy. What's the nature of the organization and its goals?

IRMEP: We're a non-profit public policy research institute that was formed last year after a study identified an opportunity for productive, pro-engagement research and policy making here in Washington, D.C.

We're a non-profit 501 (c) (3) institute that's got about twenty academics, across the country, producing....

TFS: ...oh good, you're not all in one room. That would be scary...

IRMEP: ...oh no, that would be a little bit sweaty

IRMEPit is useful to think of it more as a research network, that's got a lot of robust experts who have been doing research in the region, and outside the region, for quite a number of years cumulatively. We're really looking to see how secular, positive engagement between the U.S. and Middle East countries can promote and serve American interests.

TFS: say that in a way that lay people can understand.

IRMEP: Public policy research, that is as uncompromised as can be humanly imagined.

TFS: ...and what is the, I mean in your previous statement you said something about what the gain is for the average American, or for America.

IRMEP: America's interests are really much broader than any single focus. And certainly intercultural exchange, US exports, and increased movement between the region in terms of knowledge and contacts is extremely positive for the U.S.

TFS: And certainly, you raise a good issue. We tend to focus on the news on the big stories.

IRMEP Right.

TFS On relations between the Israelis and Palestinians, the prospect for progress in Iraq, and so on throughout the region. One of the most important things in finding peace in finding stability, in finding a better quality of life for a population is that they be part of a vibrant and contemporary economy. And you're doing observations here on the flow of money to and from the Arab countries with relationship to the U.S. Tell us about this Middle East foreign policy brief, the headline is "Dividends of Fear: America's \$94 Billion Arab Market Export Loss." Are you saying we've dropped?

IRMEP: We've dropped Todd. We used to have about 18% of total market share in terms of everything these markets were purchasing...

TFS: So we used to get about 18% of every import dollar that Arab countries spent.

IRMEP: That's right. And now we're only getting about 13%. The troubling thing is, there is no indication that this downturn is going to reverse any time soon, and a lot of this is really non-cyclical decline. If we look at huge industries in the U.S., such as aircraft production, that's been going through some problems of its own, with export declines of about 3.4% But the Arab market demand has dropped almost 12%.

TFS: So in that case, you're saying the problem is that they're buying less?

IRMEP They're buying less, and more than that. When you interview key buyers, particularly at the airlines, you see that their order book is almost exclusively going to any supplier but the U.S., with Airbus....

TFS:but why is that. I don't know if the airlines are a good example because even U.S. companies are buying more from Airbus. And some of our European allies are much more likely to go to Airbus than to come to the U.S.

IRMEP: That's true, but what we look at here is really sentiment. And when someone is buying a large-ticket item, whether it is an exploration project or an airliner, they really think

about a lot of things and have to do a lot of due-diligence before making that purchase. Now, if someone is going to go to Chicago or Washington to do due-diligence, and they find the first thing that they have to confront is an interview process, fingerprinting, etc. etc., and they're a thirty-year industry buyer, they're probably going to go to Europe or someplace closer to their market....

TFS...so you say people we have a long term buying relationship with, maybe who previously wanted to buy from the U.S., since September 11 we've tightened up the flow, the ease of travel of people from Arab countries.

IRMEP: ...yes.

TFS: ..and as a result they may say, "hey, screw it, I'm not going there any more to buy..."

IRMEP Well, they'd never say anything like *that* But they would certainly say hey, you're treating me more like a "suspect" than a "prospect". I can get better access to other suppliers.

TFS How about, can you give us any anecdotes of companies or industries which have seen really dramatic changes in their fortunes in the Middle East?

IRMEP: That's a really good question. Let me give one example, our number one brand. A lot of your listeners are probably drinking some Coca-Cola right now. This is a company that did a lot of business from their regional Middle East headquarters in Bahrain. In March 2003 they evacuated the market, they retreated to Greece. And the number one reason for that was surging demand for any cola that wasn't U.S. related.

TFS ...so again, you point to sentiment.

IRMEP: Sentiment. Consumer sentiment in this case had a direct impact on their sales, and led to the decision that it wasn't even worth having a headquarters in the region.

But it's much more complex than that.

If we look at another more complex industry, which is cancellation, in this case project sales, involving all sorts of regional infrastructure projects, from natural gas, to petroleum exploration and water bundled into a \$25 billion project, Saudi Arabia cancelled that on June 6 of 2003 saying a lot of things about the U.S. companies' expectations of return. But a lot of people feel that behind that, they're essentially punishing U.S. suppliers, in this case innocent victims, for U.S. policy in the region.

TFS: Well this is certainly a troubling situation, but I think one that is unexpected when you are making the sort of aggressive moves we are to control events in the Middle East. Would you agree with that, and if so, what can be done about it?

IRMEP: Well, I think one of the things that we need to start thinking about in terms of our own government is that businesses can only do so much in the region. What we really need to do, and I like this fact about your show, Todd, is look behind the scenes. Really look at who is promoting the policies and whether we've got it right. A lot of the "pre-emptive military" approaches to the region are bad for business, quite frankly. And if we look at the stake that Americans have, there are many industries that have double digit (market share) commitments to this region that are certainly going to bear the brunt of these policies.

TFS: Well isn't that ironic though because the big accusation against the Bush administration is that most of what it does is to celebrate its buddies in corporate life and to provide new flows of income to its corporate friends. How do you justify that apparent contradiction?

IRMEP: Yes, I think that it is ironic, but in fact the numbers say something different. For every project that is going to be won by a Bechtel or other provider in Iraq, it pales in comparison to what they can do in the combined GDP of all of the rest of the region.

What we see is that there is really no prominent, if we want to say "Arabist", I know that has become a dirty word, but prominent Arabist political appointee, that has any position authority in the Bush administration, to help them understand some of the issues that maybe they've learned on the ground, but that some of his other appointees certainly don't have.

(Station Identification/Break)

TFS: What you just said, that's a powerful bit of information to go off into the debate over our policy in Iraq with, which is that if we're gaining dollars through the direct contract that companies are gaining in Iraq, but we're creating so much negative sentiment elsewhere in the region that it becomes a net loss. Am I reading you correctly?

IRMEP: You're reading us correctly. I want to back up a little and say that business is certainly not the key and only driver to US policies in the region. But in this particular case, if you look at the fact that just to get paid, the U.S. is going to have to arrange to have Iraq's previous debts cancelled, it is going to have to do a lot of development of the petroleum industry, just to be able to get some of these new contractors...like Bearing Point consultants and others....paid.

But again, the amount of money that they are going to make from this new project is really quite insubstantial when you look at the rest of the region.

TFS That's important to understand, because that's an accusation that's frequently repeated and it is nice to have some facts to have a clearer view. So when we look for the Bush Administration motivation, we have to look elsewhere, unless, of course, their motivation is much more narrow, which is they care about their friend's companies which some people say. If their friends companies get new contracts and new cash flow, they might not care if it is a net loss to the U.S. as a whole.

IRMEP: ...well I think, Todd, that they do care. I think that if we look at some of the companies that are closely associated, particularly Halliburton for example, in terms of turn-key projects, if the cost of every project that they do in Iraq is going to be of the magnitude of what they suffered from the Saudi cancellation, they're probably really not driving things as much as people might think. From behind the scenes, there are certainly other prominent figures that have absolutely no business experience, or on-the-ground trade experience, that have a much more prominent voice than those companies.

TFS: What are you referring to..

IRMEP...I would put some names on it, certainly Richard Perle comes to mind. Every time he makes a pronouncement about what the U.S. is doing, or not doing, it makes a lot of businesspeople cringe.

TNFwhy do you raise that?

IRMEP: I raise that because in terms of, I don't what to call it "polluting the environment", but in terms of putting out negative messages, and making again, large turn-key projects more difficult for people to contemplate, I would say that every time this particular individual figure opens his mouth, we are probably losing a quarter million dollars worth of business.

TNF Well, we should send him some duct-tape I guess. They've got some new clear stuff, have you heard about that? It would probably work.

Close/wrap and end

Notes and Further Reading

Data and forecasts for the cited report include Bahrain, Egypt, Jordan, Kuwait, Oman, Qatar, Saudi Arabia, Syria, United Arab Emirates and Yemen. IRMEP forecast model output customized by industry and country market, with scenario and policy change strategy analysis is available to interested industry associations and corporations. Contact IRMEP by email info@irmep.org or by telephone (202) 342-7325. For other IRMEP policy briefs and analysis consult <http://www.irmep.org> on the World Wide Web. Receive monthly hardcopy reports and support IRMEP research and educational outreach through an annual membership:



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