

## Dubai Ports World comes to America: Questions and Answers

**Question:** What is DP World?

**Answer:** DP World is a global logistics company with 22 container terminals in 15 countries. It handles 21.9 million shipping containers per year, general cargo of 40 million tons, and employs 25,061 people around the world. DP World is the result of the integration of Dubai Ports Authority (“DPA”) and DPI Terminals (“DPI”) in September 2005. With the \$6.9 billion acquisition of the UK firm P&O (British port and Peninsular and Oriental Steam Navigation Co), DP World will become a top three global port operator.

**Question:** Who owns DP World?

**Answer:** DP World is a state owned company owned by the United Arab Emirates. The government of UAE has demonstrated a vested interest in fighting terrorism while improving economic opportunities in the Middle East. IRmep expects that in the future, DP World may follow the path of other companies in the Arab Gulf which have gone public and allowed shareholders to participate in their growth.

**Question:** Isn't the DP World acquisition a security threat?

**Answer:** DP World is in the logistics business and like other shippers will not be wholly responsible for security at the ports it operates in the US. However, it has worked closely with the United States and foreign governments in securing port facilities all over the world, including the Port of Aden in Yemen. You may recall that this is the port where terrorists attacked the USS Cole. Since the DP World acquisition, Aden is now has among the lowest Lloyd's of London insurance rates for terrorist related incidents.

US Customs and Border Protection (CBP) partners with UAE on the issue of port security. The Emirates was the first Arab country to join CBP's Container Security Initiative—a program which places CBP officers at UAE ports to identify and pre-screen cargo headed for the US. When the Gulf nation signed the deal in December 2004, US Ambassador to the UAE Michele Sison said, "They are now partnering with the United States and are a leader in protecting the global trading system."

Mahmood Amin, head of security department at DP World, has said that the company was planning to invest in security at its ports and terminals in the future, adding that DP World is investing “millions” in security every year. He said while Dubai ports are secure and have not witnessed any cases related to terrorism or any other crimes.

That said, there are major issues that need to be resolved by all logistics industry participants including transmodal inspection (boat to plane to train) and the industry's overall contain inspection rates. None of these issues are really related to corporate ownership or the responsibility of shippers alone.

**Question:** Why is DP World suddenly interested in US ports?

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## Middle East Foreign Policy Analysis

**Answer:** It makes a lot of sense that DP World is looking to operate directly in the US. According to the National US Arab Chamber of Commerce 2006 forecast, US exports to UAE will soar to \$10.19 billion this year. If we apply the US Department of Commerce “Rule of Thumb” calculation of 17,000 jobs per billion dollars of US exports, the UAE demand alone will sustain 173,000 US jobs this year. The Middle East logistics industry, according to independent industry forecasts, is expected to grow at over 25 per cent annually.

**Question:** Who approved the sale in the US?

**Answer:** The US Committee on Foreign Investment in the United States (CFIUS) reviews acquisitions of U.S. companies by foreign entities, and comprises 11 U.S. agencies, including the Defense, Treasury and Commerce departments, as well as (most recently) the Department of Homeland Security. CFIUS approved the acquisition, meaning that agencies most concerned with homeland security are comfortable with DP World.

**Question:** Who is in favor of this sale?

**Answer:** Many US exporters count on logistics to grow US-Arab Trade. Total US exports to Arab markets will reach \$37.9 billion this year, sustaining almost 650,000 export oriented jobs in America. The benefits of increased US UAE trade are spread widely, but negative effects would be noticeable if the US begins erecting barriers.

The US has been working for establish a larger Free Trade Area in the Middle East to provide more job opportunities to people of the region. You could consider deals like this which increase trade flow to be more important for economic development and fighting terrorism than placing US troops into the region.

**Question:** Who is against the sale?

**Answer:** Some members of Congress who were surprised by the sale and have security concerns have stepped forward, as have some neoconservative elements who in general, oppose virtually any improvement in US-Arab relations. We're confident that once Congress gets the right information, their security concerns will be resolved.

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