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Dubai Firm Backs Out of U.S. Ports Deal

By DAVID ESPO and ANDREW TAYLOR, Associated Press Writers *1 hour, 1 minute ago*



AP Photo: Longshoremen unload wood pulp from a cargo ship Thursday, March 9, 2006, at the Tioga...

A Dubai-owned company abruptly abandoned its plans for managing U.S. ports on Thursday, defusing an election-year showdown between President Bush and the Republican-controlled Congress over an issue that had become a political land mine for the GOP.

"DP World will transfer fully the U.S. operations ... to a United States entity," H. Edward Bilkey, the company's top executive, said in the surprise announcement that seemed to spread relief throughout the Capitol and the White House. It was unclear which American business might get the port operations.

Just hours earlier, Republican House and Senate leaders privately told the president that Congress was all but certain to block DP World's plans. Under pressure from a disapproving public, a House committee overwhelmingly voted against it Wednesday. The leaders told Bush the Senate would inevitably do the same, despite his threats to veto any legislation killing the deal.

The company's announcement gave Bush an out. He now doesn't have to back down from his staunch support of the United Arab Emirates-based company or further divide his party on a terrorism-related issue with a veto.

The White House expressed satisfaction with the outcome.

"It does provide a way forward and resolve the matter," said Scott McClellan, the White House press secretary "We have a strong relationship with the UAE and a good partnership in the global war on terrorism, and I think their decision reflects the importance of our broader relationship."

Administration officials expressed surprise at the outcome. White House officials said the decision was the result of conversations between Congress and the company, and that senior administration officials were not directly involved in the talks.

Sen. John Warner (news, bio, voting record), R-Va., said "upper levels of both governments" worked toward the result, including Sheik Mohammed Al Maktoum, prime minister of the United Arab Emirates and ruler of Dubai, who "advised the company ... that this action is the appropriate course to take."



PORT KLANG FREE ZONE SDN BHD (708970-U)
P.O. Box 261, Jalan Pelabuhan,
42009 Port Klang, Selangor D.E., Malaysia
Jalan FZ 2-P5, Port Klang Free Zone / KS 12,
42920 Pulau Indah, Selangor Darul Ehsan
Tel : +603 3101 5568
Fax : +603 3101 4489
E-mail : info@pkfz.com
Website : www.pkfz.com

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After weeks of controversy the end came unexpectedly and quickly.

Hours after congressional leaders delivered their warning, Warner, chairman of the Senate Armed Services Committee, read the company's announcement on the Senate floor.

It was unclear how the company would manage its planned divestiture, and Bilkey's statement said its announcement was "based on an understanding that DP World will not suffer economic loss."

Even critics of the deal expressed cautious optimism that DP World's move would quell the controversy surrounding that company's plan to take over some terminal leases at six major U.S. ports held by the London-based company it was purchasing.

Congress, typically a slow-moving operation, moved at lightning speed to try to block the deal, underscoring the deep concern over it and the anger about the White House's unwillingness to listen.

"This should make the issue go away," said Senate Majority Leader Bill Frist, R-Tenn. Added Warner: "To me, that statement put an end to all of this."

The two senior senators backed the Bush administration on the issue and they had been privately urging the company to give up its quest, Republican officials said on condition of anonymity.

"The devil is in the details," said Senate Minority Leader Harry Reid, D-Nev., echoing other lawmakers in Congress.

Rep. Peter King (news, bio, voting record) applauded the decision but said he and others would wait to see the fine print. "It would have to be an American company with no links to DP World, and that would be a tremendous victory and very gratifying," said the New York Republican, chairman of the House Homeland Security Committee.

The company on Thursday finalized its \$6.8 billion purchase of Peninsular & Oriental Steam Navigation Co., the British firm that through a U.S. subsidiary runs important port operations in New York, New Jersey, Baltimore, New Orleans, Miami and Philadelphia. It also plays a lesser role in dockside activities at 16 other American ports.

The plan was disclosed last month, setting off a political storm in the United States even though the company's U.S. operations were only a small part of the global transaction. DP World valued its rival's American operations at less than 10 percent of the nearly \$7 billion total purchase.

Republicans denounced the plan, furious that they learned of it from news reports instead of the administration. They cited concerns over a company run by a foreign government overseeing operations at U.S. ports already vulnerable to terrorist attacks.

Democrats also pledged to halt the takeover and clamored for a vote in the Senate. They sought political advantage from the issue by trying to narrow a polling gap with the GOP on issues of national security.

After the company's announcement, the Senate indefinitely postponed a vote on a Democratic move to block the deal.

Bush defended the deal, calling the United Arab Emirates a strong ally in the war on terror and pledging to cast the first veto of his presidency if Congress voted to interfere.



PORT KLANG FREE ZONE SDN BHD (708970-U)
P.O. Box 261, Jalan Pelabuhan,
42009 Port Klang, Selangor D.E., Malaysia
Jalan FZ 2-P5, Port Klang Free Zone / KS 12,
42920 Pulau Indah, Selangor Darul Ehsan
Tel : +603 3101 5568
Fax : +603 3101 4489
E-mail : info@pkfz.com
Website : www.pkfz.com

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Senate Republicans initially tried to fend off a vote, and the administration agreed to a 45-day review of the transaction. That strategy collapsed on Wednesday with the 62-2 vote in the House Appropriations Committee to thwart the sale.

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