

Remarks of Frank Lavin
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American Business Group of Abu Dhabi
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I. Introduction

Thanks for the kind introduction John (*Velliquette, VP Raytheon*). It is great to be here at the American Business Group of Abu Dhabi. I had the opportunity to work overseas for a number of years, in the course of which I served in AmChams in two different countries. So I salute the ABG and the good work you do. In my current capacity, one of the joys of my job is to continue working with the American businesses community around the world. I always view meetings with American business groups as a sort of family reunion, because whether in banking or in government, I have worked with most of the member companies here in the room today. I am delighted to have this opportunity to visit with you.

II. The U.S.-UAE Relationship

Let me give you a little background about my trip and some of the issues we are looking at. I am spending a few days in Dubai and Abu Dhabi in government meetings and holding discussions with local business leaders and others as well. I can share some thoughts on the bilateral relationship, some of the challenges we face, and let you know about a specific initiative we have launched that will be helpful in improving the relationship.

The UAE and the U.S. are good friends and good partners, though the relationship has had its challenges. Regarding politico-military issues, the UAE is a steadfast ally in the global war on terror. In particular, the close naval cooperation we enjoy helps both countries. This relationship has been important to the security of the both countries and we are committed to strengthening it.

On economic and trade issues, the relationship is also strong. Trade between the UAE and the United States is moving ahead rapidly, with US exports up over 40% last year. Bilateral trade was over \$13billion in 2006 with about \$12 billion of that being U.S. exports. This reflects two trends: the continued emergence of the UAE as a regional logistics hub, but more importantly it reflects the enormous growth in the UAE economy.

In short, our trade is booming because the UAE is booming. For example Emirates Airlines is growing so fast that Boeing delivers a brand new plane to them every 45 days.

The UAE was the largest export market for American products in the Middle East, larger than Egypt and Turkey combined. For that matter, the UAE is a larger export market for us than either India or Spain.

The UAE has become a destination of choice. More than 700 U.S. businesses agree that the UAE has created a business hub here with world-class logistics, finance, communications and transportation. This is one of the best business platforms in the world and one of the most inviting environments in which to work as well. The U.S. business community has both contributed to and benefited from this transformation.

Indeed, the UAE has turned a desert into an oasis, taking an economy based on natural resources and diversified it by adding value in a myriad of ways. What has been created here in the Emirates others now seek to emulate. This country and this city are a testament of what can be accomplished when tolerance, technology and tradition are in harmony.

III. Challenges

With all of this good news, there are still some challenges in front of us. On our side, we know we need to do better to create a welcoming environment for visitors from the UAE. After 9/11 visitors from the UAE to the U.S. dropped off precipitously, however that trend is beginning to turn around. Since 2004 visitation from the UAE has gone up 44 percent. We should be proud as Americans that there are some 1300 Emirati students in the U.S. We have come a long way, but we have further to go.

I'll address another initiative on the investment side in a moment. I also wanted to touch on a few areas where the UAE can also help reduce business barriers and move our relationship forward.

One area is export control. The size and volume of port activities and expanded trade in the Emirates carries with it certain responsibilities. It requires more attention to export control issues. We look forward to the forthcoming implementation of the export control law. Soon, the UAE will no longer be the most active port in the world without a comprehensive export control law. We are committed to working cooperatively with the UAE to establish an effective system.

Similarly, we encourage the UAE to ensure that counterfeit goods are not manufactured or sold in its territories – including the Free Zones -- or allowed to transit the UAE to other destinations.

In addition to trade, we are also concerned with the business environment. We would like to see the Company Law updated to allow for 100 percent foreign ownership of assets. We would also like to see the agent/distributor law changed to eliminate the requirement for most companies to have a UAE agent to operate here. These two reforms will help the UAE maintain a leadership role as a business center.

Both the UAE and the US are committed to reducing trade barriers. Our hope is that this leads us to a bilateral Free Trade Agreement, a step we have taken already in the region with Bahrain, Israel, Jordan, Morocco, and Oman. This will bring substantial benefits to the UAE, locking in a preferred regional status, but it will require some reforms as well. We are taking a break right now in the negotiations, but we are keen to work with the Emirates to see this through.

IV. Invest in America Initiative: The United States is Open for International Investment

On the U.S. side we have some challenges in the area of investment as well. Perhaps alone among the major economies, the United States has not had a federal government program to attract or retain inward foreign investment. All other major world economies have mechanisms such as investment boards and investment promotion activities to encourage FDI.

To remedy this problem, I am pleased to inform you that the U.S. Government last week launched the Invest in America initiative to facilitate foreign direct investment into the United States.

There are several reasons why such an initiative is warranted: the increased flow of global investment activity, the increased competition from new markets, and perhaps most importantly, the desire to avoid politicization of the investment process. Given the sizeable nature of FDI in the

United States, there will occasionally be a controversial case that finds its way into the media, so we need to show our investment partners that the U.S. is open for investment and we need to educate Americans as to the important role inward investment plays in our economy.

We were reminded of the need for this kind of outreach last year during the controversy over DPW. We don't want investment decisions decided on politics, but rather on a straight-forward commercial basis. This means the U.S. Federal Government has to play a role in this process.

The U.S. has many attractive aspects for investment:

- Open, secure markets - Easy to buy and sell assets and acquire inputs;
- Size and strength of the economy – Entrepreneurship is rewarded;
- Low taxes that encourage innovation and investment;
- Flexible and productive workforce;
- Open society- Easy to attract and retain top talent irrespective of background;
- High degree of transparency;
- Effective legal system from setting up a business to intellectual property protection; and
- Outstanding infrastructure and communications, both physical and economic.

All of this really doesn't matter, however if we aren't perceived as welcoming

The Invest in America Initiative was launched with this thought in mind. It will be led by the U.S. Department of Commerce and engage in three primary activities:

- 1) **Reaching out to the international investment community.** We will make use of our commercial attaches around the world to engage potential investors directly.
- 2) **Serving as ombudsman in Washington for the international investment community.** We will work across the Federal Government to cut through red tape and address impediments to investment;
- 3) **Supporting state and local governments engaged in foreign investment promotion.** We will make sure the inquiries and leads we develop overseas get transmitted to the state capitols and city halls for follow up.

The United States is open for business. We know you have choices as to where to invest, and with FDI those decisions are often strategic and long term. The United States has proven to be an outstanding, low risk environment for international investors. UAE and U.S. investors have benefited from this cooperative environment. We want to do more to make America attractive, and we acknowledge our appreciation for your trust which has helped build our relationship .

V. Conclusion

Through good times and bad the US and the UAE have built a relationship that has benefited both our countries. I mentioned at the beginning of my remarks that our relationship has both a politico-military as well as an economic relationship. This inward investment initiative embraces both of these elements. It is based on a common outlook of economic development, on regional safety and security and on a positive belief in the benefits of open markets. This FDI initiative is one more important way by which we can strengthen our ties. FDI is a sign of strength, a strength that leaves both the investor and those invested in better off. The more we can do to encourage those who want to participate in

building our bilateral relationship through trade and investment the better off both our countries and our citizens will be.

Thank you.