

THE IMPACT OF VIOLENCE ON THE MENA REGION BUSINESS AND TRADE

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Abstract

International business, historically, consisted of trade and transactions of goods being exchanged between different parties. It embodies manufacturing, purchasing, shipping and marketing of specific products under different brands and shapes within a highly competitive environment. After the research and findings conducted by Adam Smith and elaborated in his book the wealth of nations, the world made tremendous changes. The Division of work and tasks along with the evolution of the business concept and trade more control and coordination are needed nowadays. Since the evolution by itself created new processes to implement, the human behavior faced new challenges as well, the repercussion of the latter affected the exchange of goods and services system and the situation is becoming more ambiguous to understand if what drives the forces in trade are result of violence carried out by market forces or initiated in organizational culture!

The success in international business depends on many key factors namely; the product's quality and costs, the financial, political and legal ingredients, cultural differences and similarities, the availability of natural and human resources to acquire and sustain competitive advantage, within a secured and stable environment.

This research focuses upon the cultural- military environment and its impact on national and international business trends in mainly the MENA region.

Keywords: Violence, international business, trade, communication, behavior

Introduction

Originally, successful international trade led many empires, in human history, to gain political and military powers as they exploited conquered territories and colonies. The main actors in history have been identified in ancient Phoenicia/ Greece, Venice, England, Spain and many others. Presently with the technological revolution in science, communication and transportations, goods are offered to consumers at competitive prices and within shorter time; for the world has been reduce to an international “global village” whereby, ideologies, people and goods are no longer confined to borders or limited geographic space. Nevertheless, humans so far failed to build the human prototype of the future by adopting the culture of peace, cooperation, mutual respect for human rights and other sublime objectives.

For many international writers, the ruling devils controlling humanity remain insistently motivated and mobilized by greed, fear, exploitation, violence and mutual destruction.

The much sought global order has not been born yet inspite of the many expressed wishes, attempted regulations and hopes. The jungle law, camouflaged by cultural, economic and ideological masks remains in force. It is indeed the extension of the international “ball of masks” and econo-political-religious adultery: all of which form the tiny prison in the planet.

The main focus of this research revolves around the attempt to clearly define and outline the trends, obstacles, and consequences adopted by diverse actors in the MENA region, particularly the Arab world that once was qualified as “the cradle of civilization”, but

recently transformed into the grave of civilization. Furthermore, this world suffers from creepy economic stagnation, generated by the legal-political and military environments that control the region, particularly in the non-oil producing countries.

Main Text

The Mena business environmental determinants

Multinational corporations as well as business firms in general would not be able to globally export their goods and services, unless the market environment proves favorable and attractive; consequently an in-depth assessment of that environment is required in this research. The business environment is not limited to simple transactions or exchange of goods and currencies; it also incorporates transfer of expertise, technology, transportation, communication channels, services, and human resources, all operating under a dome of a socio-political-religious and legal system. It is the international Olympic game between governments and people. The key players set up the rules and the parameters for what is allowed or forbidden. They are the masters with undisputed authority, known by most as the sovereignty to formulate policies and make decisions relating to planning, employment, security, taxation, environmental protection, currency stability, regional and international relations. (Morrison 2009)

The focal issues this paper intends to highlight involve:

The laws governing business transactions in selected Middle Eastern countries to promote and sustain national industrial productivity: including types, levels, and availability of natural and human resources.

The politically stable environment that would reduce immigration flow of skilled labor from one country into another to promote economic growth through intelligent and visionary planning by experts in diverse fields. This environment requires the application of democratic governmental systems based on lawfulness and good governance.

Evolution from a primitive culture based on individualism, violence, revenge, exploitation and slavery into a modern one promoting cooperation, collectivism, partnership and peace.

The promotion of human secularism facing the traditionally blind theocratic dictatorship by few self-appointed leading “generals” of God’s armies to defend his honor and fight his battles.

Governmental policies underlying different types of economic systems such as liberal market model, state planned and controlled economy, or a social market model whereby outcome would be through division among the MENA countries. Some of them are rich in natural resources namely oil and gas such as the Gulf countries, others are struggling with unemployment, low Gross National Income (GNI), dependent on foreign subsidies, aid and borrowed funds, while intermittently they receive a meager portion of foreign direct investment (FDI). Examples of these countries are Egypt, Syria, Jordan, Lebanon; others are torn by civil unrests and wars that destroy their economies businesses and resources such as Egypt, Libya, Syria, Yemen, Iraq etc...

In general, most of these countries are classified as importers rather than exporters, once oil and gas are excluded. Lebanon’s imports for example reached in 2013 over 16 billion U.S dollars while its exports failed to reach 4 billion.(The National Association For Economic Reforms 2013)

Violence in the Arab world

Most Arab countries, known historically for their geography and cultural traits such as generosity and hospitality, are presently in the process of rapidly losing the positive qualities their people enjoyed, drenched in storms of individualism, materialism and violence.

Kidnapping, assassination, corruption, religious / ideological fundamentalism, terror and wars have become the governing rules of the socio-economic and political games. The examples are numerous starting with those countries that once enjoyed glorious ancient civilizations such as Lebanon, Syria, Iraq, Palestine in its Jewish and Arabic sections, Egypt as well as neighboring Iran and some North African states.

The political- military deadlocks in the region imposed great influence on the socio-economic fibers of those countries as they become immersed with unemployment, poverty and crimes. (Kfoury&Baahous, 2008)

The intense human violent behavior stands as a major cause for political instability and economic deterioration. (Aluede&Imhanlahimi 2004)

This environment of violence adversely affects the business and industrialist ability to take risks and be more creative.

The aggressive behavior

The violent behavior in the sampled countries begins with the child in his mother's womb, expending to family circles, media programs, schools and awkward learning environments, ending with religious and socio-political ones.

The MENA region is more dangerous today than it has ever been, for terrorism has been justified and praised by some as a religious duty of the faithful under the concept of "Jihad", (holy wars) in defense of God's interests on earth.

Causes of violence and wars in the MENA region

Although there are general common causes for violence and terrorism, each region and even country has its own peculiarities and motives. The main reasons for violence, in the Arab world maybe summarized in the following:

The revival of nationalism often blended with cultural intolerance and narrow mindedness. (Journal of Cultural Studies, 2007)

The fierce conflict lies in the fact that culture is amalgamated with religious taboos and fundamentalism, leading to/or presaging of local, regional and even international conflicts.

The economic conditions since the majority of the countries' populations suffer from unemployment, poverty, and the absence of strategic and adequate economic planning intensifying the economic disparity between states and people. The general environment is one of uncertainty, dictatorial control and mobilization of the masses against a designated enemy in order to preserve the power of the ruling leadership. (Kairouz 2008)

Terrorism in all its kinds and forms, whether military, psychological, economic, cultural or cyber technological has been justified even confused by many religious, academic and political leaders as "sacred resistance" against the presumed western plan to destroy the Arab Muslim culture, religion and identity threw materialism and secularism. As a result a faithful Muslim has the duty toward God to stand up, carry arms and enlist in "holy wars" (Jihad). God has been promoted to and impersonated as a military "general" with armies, waging wars against innocent humans just because they belong to a different faith. This psychological indoctrination and brain washing wipes out all principles of ethics. The ultimate goal is to subdue and rule land and people under the pretext of serving God. The tools used to reach such objectives are impregnated by fear, uncertainty and feverish emotional mobilization of the masses. In contrast a large number of educated and reasonable rulers as well as religious Muslim leaders call for the adoption of peaceful coexistence with other cultures. They are waging an open, but shy battle with the fundamentalists, trends, movement and armies.

The Arab Israeli conflict

Israel constitutes another unresolved problem in the Middle East. It is viewed, based on teaching transferred from generation to another, as a tool implanted by the great western Satan to destroy Islam and Islamic culture. The Arabs, safe Jordan and Egypt, who signed a peace treaty with Israel, continue since 1947 to boycott Israeli goods and all international firms or businesses that directly or indirectly deal with Israel and in matters including books, newspapers, Christian arabs, visits to the holy lands and participation in international events should the Israelis be present.

This unresolved Arab Israeli conflict displays negative effects on the flow of trade and economic growth in some countries. Lebanon, for example has at its disposal one international route through which it can export its produce to the gulf countries, namely through Syria. However, when the Syrian borders are closed for a variety of unjustified reasons, Lebanon's economy pays dearly a heavy penalty instead of being able to use a substitute route from the south via Israel and Jordan. Furthermore, in the educational system, children are exposed to learn a culture of violence instead of one of peace and conflict resolution.

The cult of leadership

Certain Arab leaders have been worshiped and proclaimed "divine" e.g the case of Jamal Abdel Nasser. They resort to buying the devotion of their followers, through favors, imposed obedience and fear. The main issue remains the continual struggle for power between civil and religious leadership to which no clear path has been yet determined.

The arms race and military spending

The arms race between member states, further contributes to the deterioration of local economies and international businesses. This includes conventional, chemical and recently nuclear weapons.

The economic and business consequences of the unstable environment

The economic and business consequences upon the developing MENA countries have so far been tilting toward negativism and unpleasant trends in different areas due to instability of the region.

Lower flow of FDI

The MENA region embodies an intensified paradox with regard to international business transactions, in a region, still so much backward in its political systems, torn by violence, conflicts and wars, continually destroyed, rebuilt to be re-destroyed and destabilized. As a result, for example the share of FDI flow in 2012 did not surpass the 0.38 of 1%.

This unstable environment and endemic institutional constraints fail to attract but an abysmal flow of investors and FDI (Revlín, 2001). Compared with other regions, the MENA countries received lately less than any other countries foreign investment shares(Sadik& Ballal,2001). The least recipients and beneficiaries are Egypt, Lebanon, Syria, Iraq, Libya, Yemen... (Eid& Paua,2002).

Most of the targeted FDI recipients are countries with petroleum related businesses, in particular producers of hydrocarbons. According to UNCTAD's Inward FDI Performance Index in 2003, 6 of 10 listed countries to receive the lowest FDI percentage were in the MENA region (UNCTAD, 2003).

Consequently, the main factors affecting economic development and FDI flows comprise (a) indecisive and risky return on investment (ASIEDU, 2002); (b) political and armed revolutions and conflicts; (c) lack of institutional stability and rule of law; (d) absence of proper infrastructure relating mainly to energy, communication, telephones, internet, roads etc... ; (e) bureaucratic corruption and endless red tapes; (f) unattractive investment climate;

(g) human capital shortage, since low benefits and poor security drive skillful elements to immigrate (Rinkin 2001); (h) erratic availability of natural resources due to political unrests excluding oil flow (Moriset 2000); (i) unsound macroeconomic fundamentals relating to inflation, taxation, and external debts that usually increase in times of wars and violence.

Restrictions on international trade

Wars and conflicts result in the counter flow of capital out of the combat zone. Investors as well as businesses closely calculate the risks they might be victims of. Their initial decisions would focus on (a) laying off employees and causing more unemployment in addition to lesser purchasing power among the citizens and higher taxation; (b) more smuggled goods flooding the black market affecting prices and sales; (c) businesses inability to secure loans from banks as they fail to settle their debts, and consequently forfeiting their properties and hard assets. Furthermore, most of the MENA countries have small and poor markets to attract foreign capital. Worst, the overwhelming evidence about the absence of good governance, the rule of law and economic freedom negatively struck any business contemplating to enter the market.

Rise in crimes and corruption

In the absence of an efficient legal system, individualism and uncertainty dominate, terror and the gun replace the government role. Factories, stores, and all business concerns would seek huge profits at the expense of the poor and less fortunate. This unhealthy environment does not attract foreign investors and firms, for (a) the local market is unstable and impoverished except for a handful of promoters; (b) the resources are either destroyed, or confiscated by powerful military groups or difficult to secure; (c) absence of efficiency (Dunning 1993).

Poor governance

Under the revolutionary and violent trends that are sweeping the region, the political and legal authority is concentrated in the hands of a military or civilian dictator dragging the country into economic stagnation and destruction (Kaufman et. Al 2000). Transparency, the rule of law and accountability are non-existent, for the legal system is usurped by fanatic religious leaders (Goberman& Shapiro, 2003). The ultimate risk in any business transaction will be aggravated when fair judicial proceedings are subservient to corrupt political power.

Lack of economic freedom

The basic ingredients of economic freedom such as free competition, protection of the individual and private property, trade liberalization, fair tariffs and taxes, relaxed banking regulations and funds repatriations should not be controlled by militants and warriors. Furthermore international trade contracts must be equitably enforced rather than subjected to fraud (Beck, Levin &Loayza, 2000). The worst is the absence of protection of property rights (Gwatney, 2003) which legally determines the protection of foreign capital and firms' assets from expropriation or nationalization as has been the case when facing wealthy and powerful individual rulers or groups (Globerman& Shapiro, 2003). In this case the enticement for foreign companies to invest is removed and replaced by a multitude of risks (Drabek& Payne, 2001). In addition, costly relations between the investor and the public sector limit all attractions for investment (World Bank, 2003).

Conclusion

This paper attempted to identify and examine the impact of instability, violence and warfare, as well the absence of the rule of law upon international trade and business with Arab countries in the MENA region.

The analysis clearly confirms the hypothesis that political, legal corruption and unlawfulness do lead to violence, instability, and consequently poor flow of FDI as well as disruption of international business.

Since the MENA region is beleaguered by wars and terrors, its share of FDI flow has been abysmal. Consequently this research suggests several policies to be urgently adopted and implanted to remedy these deficiencies.

Reduction of corruption, bureaucratic red tapes and trade closure (Batra et al 2000).

Reduction of governmental role in endorsing privatization and liberalization of trade by removing barriers.

Improvement of the macroeconomic performance to sustain the fundamentals of economic growth.

Promotion of the culture of peace at all levels of education to trigger a real evolution from the ancient Middle Eastern human mentality and cultural values through secularization and peace.

Time is running short before reaching the point of self destruct. The MENA governments and societies are urged to apply a surgical evolutionary change to the rigid and outdated legal, political and economic systems.

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